

State of Arizona
Senate
Fifty-first Legislature
Second Regular Session
2014

SENATE BILL 1397

AN ACT

AMENDING SECTIONS 4-101, 4-112, 4-201.01, 4-203, 4-203.01, 4-203.02, 4-203.03, 4-203.04, 4-205.02, 4-205.03, 4-205.04, 4-205.05 AND 4-205.08, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 4-205.10 AND 4-205.11; AMENDING SECTIONS 4-206.01, 4-207, 4-207.01, 4-209, 4-210, 4-212, 4-222, 4-226 AND 4-227, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 4-227.01; AMENDING SECTIONS 4-229, 4-241, 4-242, 4-243, 4-243.01, 4-244, 4-244.04, 4-244.05, 4-250.01, 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. "CRAFT DISTILLER" MEANS A DISTILLER IN THE UNITED STATES OR IN A
16 TERRITORY OR POSSESSION OF THE UNITED STATES THAT HOLDS A LICENSE PURSUANT TO
17 SECTION 4-205.10.

18 ~~11.~~ 12. "Department" means the department of liquor licenses and
19 control.

20 ~~12.~~ 13. "Director" means the director of the department of liquor
21 licenses and control.

22 ~~13.~~ 14. "Distilled spirits" includes alcohol, brandy, whiskey, rum,
23 tequila, mescal, gin, absinthe, a compound or mixture of any of them or of
24 any of them with any vegetable or other substance, alcohol bitters, bitters
25 containing alcohol, fruits preserved in ardent spirits, and any alcoholic
26 mixture or preparation, whether patented or otherwise, ~~which~~ THAT may in
27 sufficient quantities produce intoxication.

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

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

34 ~~16.~~ 15. "Employee" means any person who performs any service on
35 licensed premises on a full-time, part-time or contract basis with consent of
36 the licensee, whether or not the person is denominated an employee,
37 independent contractor or otherwise. Employee does not include a person
38 exclusively on the premises for musical or vocal performances, for repair or
39 maintenance of the premises or for the delivery of goods to the licensee.

40 16. "FARM WINERY" MEANS A WINERY IN THE UNITED STATES OR IN A TERRITORY
41 OR POSSESSION OF THE UNITED STATES THAT HOLDS A LICENSE PURSUANT TO SECTION
42 4-205.04.

43 17. "Government license" means a license to serve and sell spirituous
44 liquor on specified premises available only to a STATE AGENCY, STATE BOARD,
45 STATE COMMISSION, county, city, town, community college or state university

1 or the national guard or Arizona coliseum and exposition center on
2 application by the governing body of a **STATE AGENCY, STATE BOARD, STATE**
3 **COMMISSION**, county, city, town, community college or state university or the
4 national guard or Arizona exposition and state fair board.

5 18. "Legal drinking age" means twenty-one years of age or older.

6 19. "License" means a license or an interim retail permit issued
7 pursuant to this title.

8 20. "License fees" means fees collected for license issuance, license
9 application, license renewal, interim permit issuance and license transfer
10 between persons or locations.

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

13 22. "Manager" means a natural person who meets the standards required
14 of licensees and who has authority to organize, direct, carry on, control or
15 otherwise operate a licensed business on a temporary or full-time basis.

16 23. **"MICROBREWERY" MEANS A BREWERY IN THE UNITED STATES OR IN A**
17 **TERRITORY OR POSSESSION OF THE UNITED STATES THAT MEETS THE REQUIREMENTS OF**
18 **SECTION 4-205.08.**

19 ~~23.~~ 24. "Off-sale retailer" means any person operating a bona fide
20 regularly established retail liquor store selling spirituous liquors, wines
21 and beer, and any established retail store selling commodities other than
22 spirituous liquors and engaged in the sale of spirituous liquors only in the
23 original unbroken package, to be taken away from the premises of the retailer
24 and to be consumed off the premises.

25 ~~24.~~ 25. "On-sale retailer" means any person operating an establishment
26 where spirituous liquors are sold in the original container for consumption
27 on or off the premises or in individual portions for consumption on the
28 premises.

29 ~~25.~~ 26. "Person" includes a partnership, limited liability company,
30 association, company or corporation, as well as a natural person.

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

39 ~~27.~~ 28. "Registered mail" includes certified mail.

40 ~~28.~~ 29. "Registered retail agent" means any person who is authorized
41 pursuant to section 4-222 to purchase spirituous liquors for and on behalf of
42 himself and other retail licensees.

43 ~~29.~~ 30. "Repeated acts of violence" means two or more acts of violence
44 occurring within seven days, three or more acts of violence occurring within

1 thirty days or acts of violence occurring with any other similar frequency
2 which the director determines to be unusual or deserving of review.

3 ~~30.~~ 31. "Sell" includes soliciting or receiving an order for, keeping
4 or exposing for sale, directly or indirectly delivering for value, peddling,
5 keeping with intent to sell and trafficking in.

6 ~~31.~~ 32. "Spirituos liquor" includes alcohol, brandy, whiskey, rum,
7 tequila, mescal, gin, wine, porter, ale, beer, any malt liquor or malt
8 beverage, absinthe, a compound or mixture of any of them or of any of them
9 with any vegetable or other substance, alcohol bitters, bitters containing
10 alcohol, any liquid mixture or preparation, whether patented or otherwise,
11 which produces intoxication, fruits preserved in ardent spirits, and
12 beverages containing more than one-half of one per cent of alcohol by volume.

13 ~~32.~~ 33. "Vehicle" means any means of transportation by land, water or
14 air, and includes everything made use of in any way for such transportation.

15 ~~33.~~ 34. "Vending machine" means a machine that dispenses merchandise
16 through the means of coin, token, credit card or other nonpersonal means of
17 accepting payment for merchandise received.

18 ~~34.~~ 35. "Veteran" means a person who has served in the United States
19 air force, army, navy, marine corps or coast guard, as an active nurse in the
20 services of the American red cross, in the army and navy nurse corps in time
21 of war, or in any expedition of the armed forces of the United States, and
22 who has received a discharge other than dishonorable.

23 ~~35.~~ 36. "Voting security" means any security presently entitling the
24 owner or holder of the security to vote for the election of directors of an
25 applicant, licensee or controlling person.

26 ~~36.~~ 37. "Wine" means the product obtained by the fermentation of
27 grapes or other agricultural products containing natural or added sugar or
28 any such alcoholic beverage fortified with grape brandy and containing not
29 more than twenty-four per cent of alcohol by volume.

30 Sec. 2. Section 4-112, Arizona Revised Statutes, is amended to read:

31 4-112. Powers and duties of board and director of department of
32 liquor licenses and control; investigations; county
33 and municipal regulation

34 A. The board shall:

35 1. Grant and deny applications in accordance with the provisions of
36 this title.

37 2. Adopt rules in order to carry out the provisions of this section.

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

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

41 1. Adopting rules:

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

43 (b) For the proper conduct of the business to be carried on under each
44 specific type of spirituous liquor license.

1 (c) To enable and assist state officials and political subdivisions to
2 collect taxes levied or imposed in connection with spirituous liquors.

3 (d) For the issuance and revocation of certificates of registration of
4 retail agents, including provisions governing the shipping, storage and
5 delivery of spirituous liquors by registered retail agents, the keeping of
6 records and the filing of reports by registered retail agents.

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

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

11 3. Keeping an index record which shall be a public record open to
12 public inspection and shall contain the name and address of each licensee and
13 the name and address of any person having an interest, either legal or
14 equitable, in each license as shown by any written document, which document
15 shall be placed on file in the office of the board.

16 4. Providing the board with such supplies and personnel as may be
17 directed by the board.

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

24 6. Taking such steps as are necessary to maintain effective liaison
25 with the department of public safety and all local law enforcement agencies
26 in the enforcement of this title including the laws of this state against the
27 consumption of spirituous liquor by persons under the legal drinking age.

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

30 C. The director shall establish within the department a separate
31 investigations unit which has as its sole responsibility the investigation of
32 compliance with this title including the investigation of licensees alleged
33 to have sold or distributed spirituous liquor in any form to persons under
34 the legal drinking age. Investigations conducted by this unit may include
35 covert undercover investigations.

36 D. All employees of the department of liquor licenses and control,
37 except members of the state liquor board and the director of the department,
38 shall be employed by the department in the manner prescribed by the
39 department of administration.

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

43 F. The board or the director may take evidence, administer oaths or
44 affirmations, issue subpoenas requiring attendance and testimony of
45 witnesses, cause depositions to be taken and require by subpoena duces tecum

1 the production of books, papers and other documents which are necessary for
2 the enforcement of this title. Proceedings held during the course of a
3 confidential investigation are exempt from title 38, chapter 3, article 3.1.
4 If a person refuses to obey a subpoena or fails to answer questions as
5 provided by this subsection, the board or the director may apply to the
6 superior court in the manner provided in section 12-2212. The board or
7 director may serve subpoenas by personal service or certified mail, return
8 receipt requested.

9 G. The director may:

10 1. Examine books, records and papers of a licensee.

11 2. Require applicants, licensees, employees who serve, sell or furnish
12 spirituous liquors to retail customers, managers and managing agents to take
13 training courses approved by the director in spirituous liquor handling and
14 spirituous liquor laws and rules. The director shall adopt rules that set
15 standards for approving training courses. The department's licensed
16 investigators may participate and receive compensation as lecturers at
17 approved training courses within this state's jurisdiction that are conducted
18 by other entities but shall not participate in in-house training programs for
19 licensees.

20 3. Delegate to employees of the department authority to exercise
21 powers of the director in order to administer the department.

22 4. Regulate signs that advertise a spirituous liquor product at
23 licensed retail premises.

24 5. Cause to be removed from the marketplace spirituous liquor that may
25 be contaminated.

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

29 7. Issue and enforce cease and desist orders against any person or
30 entity that sells beer, wine or spirituous liquor without an appropriate
31 license or permit.

32 8. Confiscate wines carrying a label including a reference to Arizona
33 or any Arizona city, town or place unless at least seventy-five per cent by
34 volume of the grapes used in making the wine were grown in this state.

35 9. Accept and expend private grants of monies, gifts and devises for
36 conducting educational programs for parents and students on the repercussions
37 of underage alcohol consumption. State general fund monies shall not be
38 expended for the purposes of this paragraph. If the director does not
39 receive sufficient monies from private sources to carry out the purposes of
40 this paragraph, the director shall not provide the educational programs
41 prescribed in this paragraph. Grant monies received pursuant to this
42 paragraph are nonlapsing and do not revert to the state general fund at the
43 close of the fiscal year.

10. Procure fingerprint scanning equipment and provide fingerprint services to license applicants and licensees. ~~Until January 1, 2015,~~ The department may charge a fee for providing these services.

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

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

Sec. 3. Section 4-201.01, Arizona Revised Statutes, is amended to read:

4-201.01. Extending time limits

A. In the event any decision, hearing, or other action by the department, including the board, is alleged to be untimely, an aggrieved person may file a demand that the department take action within fifteen days. In the event the department does not then act, the aggrieved person may file an action in superior court seeking an order requiring the department to act.

B. Notwithstanding the provisions of subsection A of this section, if the director determines that it is in the public interest to extend the time limits for action by the department, including the board, in connection with a license issuance or transfer or acquisition of control, ~~he~~ THE DIRECTOR may extend ~~such~~ THE time limits by up to one hundred five days. The director may further extend ~~such~~ THE time limits as the director deems necessary if special circumstances such as litigation affecting the ownership of the license, bankruptcy, probate or other circumstances deemed meritorious by the director prevent the department from completing its action or the director requires additional time to complete an investigation of an applicant's qualifications for licensure pursuant to section 4-202. In no event shall the director extend the time limits more than one year except as necessary in the event of litigation affecting the ownership of the license, bankruptcy or probate OR EXCEPT ON A WRITTEN REQUEST OF THE APPLICANT OR LICENSEE THAT THE DIRECTOR DETERMINES IS SUPPORTED BY GOOD CAUSE.

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

4-203. Licenses; issuance; transfer; reversion to state

A. A spirituous liquor license shall be issued only after satisfactory showing of the capability, qualifications and reliability of the applicant and, with the exception of wholesaler, producer, government or club licensees, that the public convenience requires and that the best interest of the community will be substantially served by the issuance. If an application is filed for the issuance of a TRANSFERABLE OR nontransferable license, other than for A CRAFT DISTILLER LICENSE, a microbrewery license or a ~~domestic~~ farm winery license, for a location that on the date the application is filed has a valid license of the same series, OR IN THE CASE OF A RESTAURANT LICENSE APPLICATION FILED FOR A LOCATION WITH A VALID

1 HOTEL-MOTEL LICENSE, issued at that location, there shall be a rebuttable
2 presumption that the public convenience and best interest of the community at
3 that location was established at the time the location was previously
4 licensed. The presumption may be rebutted by competent contrary evidence.
5 The presumption shall not apply once the licensed location has not been in
6 use for more than one hundred eighty days and the presumption shall not
7 extend to the personal qualifications of the applicant.

8 B. The license shall be to manufacture, sell or deal in spirituous
9 liquors only at the place and in the manner provided in the license. A
10 separate license shall be issued for each specific business, and each shall
11 specify:

12 1. The particular spirituous liquors that the licensee is authorized
13 to manufacture, sell or deal in.

14 2. The place of business for which issued.

15 3. The purpose for which the liquors may be manufactured or sold.

16 C. A spirituous liquor license issued to a bar, a liquor store or a
17 beer and wine bar shall be transferable as to any permitted location within
18 the same county, provided such transfer meets the requirements of an original
19 application. ~~Such~~ A spirituous liquor license may be transferred to a person
20 qualified to be a licensee, provided such transfer is pursuant to either
21 judicial decree, nonjudicial foreclosure of a legal or equitable lien,
22 including security interests held by financial institutions pursuant to
23 section ~~4-204~~ 4-205.05, a sale of the license, a bona fide sale of the entire
24 business and stock in trade, or such other bona fide transactions as may be
25 provided for by rule. Any change in ownership of the business of a licensee,
26 directly or indirectly, as defined by rule is deemed a transfer.

27 D. All applications for a new license pursuant to section 4-201 or for
28 a transfer to a new location pursuant to subsection C of this section shall
29 be filed with and determined by the director, except when the governing body
30 of the city or town or the board of supervisors receiving ~~such~~ AN application
31 pursuant to section 4-201 orders disapproval of ~~such~~ THE application or makes
32 no recommendation or when the director, the state liquor board or any
33 aggrieved party requests a hearing. ~~Such~~ THE application shall then be
34 presented to the state liquor board, and the new license or transfer shall
35 not become effective unless approved by the state liquor board.

36 E. A person who assigns, surrenders, transfers or sells control of a
37 liquor license or business ~~which~~ THAT has a spirituous liquor license shall
38 notify the director within thirty business days after the assignment,
39 surrender, transfer or sale. No spirituous liquor license shall be leased or
40 subleased. A concession agreement entered into under section 4-205.03 is not
41 considered a lease or sublease in violation of this section.

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

persons on a form prescribed by the director. All officers, directors or other controlling persons shall meet the qualifications for licensure as prescribed by this title. On request, the director shall conduct a preinvestigation before the assignment, sale or transfer of control of a license or licensee, the reasonable costs of which, not to exceed one thousand dollars, shall be borne by the applicant. The preinvestigation shall determine whether the qualifications for licensure as prescribed by this title are met. On receipt of notice of an acquisition of control or request of a preinvestigation, the director shall forward the notice within fifteen days to the local governing body of the city or town, if the licensed premises is in an incorporated area, or the county, if the licensed premises is in an unincorporated area. The local governing body of the city, town or county may protest the acquisition of control within sixty days based on the capability, reliability and qualification of the person acquiring control. If the director does not receive any protests, the director may protest the acquisition of control or approve the acquisition of control based on the capability, reliability and qualification of the person acquiring control. Any protest shall be set for a hearing before the board. Any transfer shall be approved or disapproved within one hundred five days of the filing of the notice of acquisition of control. The person who has acquired control of a license or licensee has the burden of an original application at the hearing, and the board shall make its determination pursuant to section 4-202 and this section with respect to capability, reliability and qualification.

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

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

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

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

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

1 J. Notwithstanding subsection B of this section, the holder of a
2 retail license having off-sale privileges may deliver spirituous liquor off
3 of the licensed premises in connection with the sale of spirituous liquor.
4 The licensee may maintain a delivery service and shall be liable for any
5 violation committed in connection with any sale or delivery of spirituous
6 liquor, provided that such delivery is made by an employee who is at least
7 twenty-one years of age. The retail licensee shall collect payment for the
8 price of the spirituous liquor no later than at the time of delivery. The
9 director shall adopt rules that set operational limits for the delivery of
10 spirituous liquors by the holder of a retail license having off-sale
11 privileges. For the purposes of this subsection, an independent contractor
12 or the employee of an independent contractor is deemed to be an employee of
13 the licensee when making a sale or delivery of spirituous liquor for the
14 licensee.

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

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

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

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

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

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

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

41 Sec. 5. Section 4-203.01, Arizona Revised Statutes, is amended to
42 read:

43 4-203.01. Interim permit; fee; rules

44 A. The director may issue an interim permit to the applicant for a
45 license of the same series, OR FOR THE REPLACEMENT OF A HOTEL-MOTEL LICENSE

1 WITH A RESTAURANT LICENSE, at the same premises whether that license is
2 transferrable or nontransferable and any of the following conditions exists:

3 1. The director has good cause to believe the licensee is no longer in
4 possession of the licensed premises.

5 2. The license for such premises was surrendered pursuant to rules of
6 the department.

7 3. The applicant for the interim permit filed with the department an
8 application for the issuance of a license of the same series of
9 nontransferable license or the transfer or replacement of a transferable
10 license of the same series, OR FOR THE REPLACEMENT OF A HOTEL-MOTEL LICENSE
11 WITH A RESTAURANT LICENSE, at the same premises.

12 B. The application for the interim permit shall be accompanied by an
13 interim permit fee of one hundred dollars.

14 C. An interim permit issued by the director pursuant to this section
15 shall be for a period of not ~~to exceed~~ MORE THAN one hundred five days and
16 shall not be extended except as provided in subsection D of this section. An
17 interim permit is a conditional permit and authorizes the holder to sell such
18 alcoholic beverages as would be permitted to be sold under the privileges of
19 the license for which application has been filed with the department.

20 D. Notwithstanding subsection C of this section, if the director
21 extends the time limit for action by the department in connection with a
22 license issuance or transfer pursuant to section 4-201.01, subsection B, the
23 director shall issue an additional interim permit for a period equal to such
24 extension unless either:

25 1. No interim permit has previously been issued.

26 2. For good cause shown the director denies the additional interim
27 permit.

28 E. Notwithstanding any other ~~provision of~~ law, an interim permit may
29 be canceled or suspended summarily at any time, if the director determines
30 that good cause for such cancellation or suspension exists. There shall be
31 no appeal from such cancellation or suspension of an interim permit to the
32 board. The board may cancel an interim permit on applications that have been
33 disapproved by the board. The cancellation or suspension of an interim
34 permit may be appealed directly to the superior court.

35 F. Application for an interim permit shall be on such form as the
36 director shall prescribe. If an application for an interim permit is
37 withdrawn before issuance or is refused by the director, the fee ~~which~~ THAT
38 accompanies such application shall be refunded.

39 G. If an application for transfer of a license, person to person, or
40 nontransferable spirituous liquor license is denied or an interim permit is
41 revoked, suspended or expires, the licensee may request the return of the
42 surrendered license that has been issued for such premises.

43 H. The director may prescribe rules governing the issuance of interim
44 permits under this section.

1 I. The director may deny an interim permit in situations in which a
2 current licensee holds a license described in section 4-209, subsection B,
3 paragraph 12 and the current license is not in compliance with section
4 4-205.02.

5 Sec. 6. Section 4-203.02, Arizona Revised Statutes, is amended to
6 read:

7 4-203.02. Special event license: rules

8 A. The director may, ~~subject to the approval of the board of~~
9 ~~supervisors of a county for events to be held in an unincorporated area or~~
10 ~~the governing body of a city or town for events to be held in a city or town,~~
11 issue on a temporary basis:

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

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

19 B. BEFORE THE DIRECTOR MAY ISSUE A TEMPORARY SPECIAL EVENT LICENSE, A
20 SPECIAL EVENT THAT IS TO OCCUR AT AN OTHERWISE UNLICENSED LOCATION OR BY A
21 LICENSEE AT A LOCATION THAT IS NOT FULLY WITHIN THE LICENSEE'S EXISTING
22 LICENSED PREMISES MUST BE APPROVED BY THE BOARD OF SUPERVISORS OF A COUNTY IF
23 THE EVENT IS TO BE HELD IN AN UNINCORPORATED AREA OR BY THE GOVERNING BODY OF
24 THE CITY OR TOWN IF THE EVENT IS TO BE HELD IN A CITY OR TOWN.

25 C. THE APPROVAL PROCESS PRESCRIBED IN THIS SECTION DOES NOT APPLY TO
26 PHYSICAL LOCATIONS THAT ARE FULLY WITHIN PREMISES LICENSED PURSUANT TO THIS
27 TITLE.

28 D. A PHYSICAL LOCATION, OTHER THAN A PHYSICAL LOCATION THAT IS OWNED,
29 OPERATED, LEASED, MANAGED OR CONTROLLED BY THE UNITED STATES, THIS STATE OR A
30 CITY, TOWN OR COUNTY OF THIS STATE, THAT IS NOT LICENSED PURSUANT TO THIS
31 TITLE MAY NOT BE ISSUED MORE THAN TWELVE SPECIAL EVENT LICENSES DURING THE
32 SAME CALENDAR YEAR. ALL APPLICATIONS FOR A SPECIAL EVENT LICENSE ISSUED
33 PURSUANT TO THIS SUBSECTION MUST BE SUBMITTED TO THE DEPARTMENT AT LEAST TEN
34 DAYS BEFORE THE SCHEDULED EVENT.

35 ~~B.~~ E. The director may only issue the special event license to a
36 political party or campaign committee supporting a candidate for public
37 office or a ballot measure, an organization formed for a specific charitable
38 or civic purpose, a fraternal organization in existence for over five years
39 with a regular membership or a religious organization.

40 F. THE DIRECTOR MAY ISSUE A SPECIAL EVENT LICENSE CONCURRENTLY WITH A
41 WINE FESTIVAL LICENSE AND A CRAFT DISTILLERY FESTIVAL LICENSE AND MAY APPROVE
42 THE LOCATION OF THE WINE FESTIVAL LICENSE WITHIN AN EXCLUDED AREA OF A
43 SPECIAL EVENT LICENSE SPECIFICALLY DESCRIBED IN EACH LICENSE.
44 NOTWITHSTANDING SECTION 4-244, PARAGRAPHS 13 AND 19, BOTH LICENSES SHALL

1 PERMIT THE PRESENCE OF PURCHASED SPIRITUOUS LIQUOR IN THE POSSESSION OF THE
2 PURCHASER.

3 ~~E.~~ G. An organization selling spirituous liquor under a special event
4 license ~~pursuant to subsection A, paragraph 1 of this section~~ shall purchase
5 ~~such~~ THE spirituous liquor from the holder of a license authorized to sell
6 off-sale OR A LICENSED WHOLESALER. ~~, or,~~ In the case of a nonprofit
7 organization ~~which~~ THAT has obtained a special event license for the purpose
8 of charitable fund-raising activities, the nonprofit organization may receive
9 the spirituous liquor from a wholesaler, FARM WINERY, MICROBREWERY OR
10 PRODUCER as a donation, except that a licensee licensed pursuant to
11 subsection A, paragraph 2 of this section may receive spirituous liquor from
12 a donor when the donor receives no remuneration or payment of any kind,
13 directly or indirectly, other than any tax benefits that might result.

14 ~~D.~~ H. An organization that is issued a license pursuant to subsection
15 A, paragraph 2 of this section shall receive at least seventy-five per cent
16 of the gross receipts of the auction. Up to twenty-five per cent of the
17 gross receipts of a special event auction conducted pursuant to subsection A,
18 paragraph 2 of this section may be used to pay reasonable and necessary
19 expenses incurred in connection with the auction. All expenses shall be
20 supported by written contracts, invoices or receipts, which shall be made
21 available to the director on request.

22 ~~E.~~ I. The director may adopt those rules the director determines are
23 necessary to implement and administer this section including a limitation on
24 the number of times during a calendar year a qualified organization may apply
25 for and be issued a license under this section. The qualified organization
26 issued a license pursuant to subsection A, paragraph 1 of this section must
27 receive at least twenty-five per cent of the gross revenues of ALL SPIRITUOUS
28 LIQUOR SOLD AT the special events, which shall be supported by a contract
29 between the parties to be supplied at the time of application.

30 ~~F.~~ J. An organization that is issued a license pursuant to subsection
31 A, paragraph 2 of this section shall not sell more than twenty cases of
32 spirituous liquor annually under a special event license.

33 ~~G.~~ K. Section 4-201 does not apply to the licenses provided for under
34 this section.

35 ~~H.~~ L. A licensed wholesaler may donate spirituous liquor directly to
36 an organization that is issued a license pursuant to subsection A OF THIS
37 SECTION. The licensed wholesaler shall in such instances issue a net zero
38 cost billing invoice in the name of the special event licensee. All
39 licensees making or receiving spirituous liquor donations remain subject to
40 the applicable limitations and requirements set forth in this title and in
41 the rules ~~promulgated~~ ADOPTED by the department.

42 ~~I.~~ M. A licensed wholesaler may temporarily leave a delivery vehicle
43 and other items of equipment necessary for the sale or service of spirituous
44 liquor on the premises of a licensed special event for the duration of the
45 event and up to one business day before and after the event.

1 ~~+~~ N. A licensed wholesaler may leave spirituous liquor products at a
2 special event if the products are properly described on a preliminary billing
3 invoice from the wholesaler that is issued in the name of ~~the off-sale~~
4 ~~retailer which also names~~ the special event licensee. The licensed
5 wholesaler has up to five business days after the special event ends to make
6 any necessary billing adjustments and issue a final billing invoice to ~~the~~
7 ~~off-sale retailer which also names~~ the special event licensee.

8 Sec. 7. Section 4-203.03, Arizona Revised Statutes, is amended to
9 read:

10 4-203.03. Wine festival license; wine fair license; fee

11 A. The director, subject to the approval of the board of supervisors
12 for events to be held in an unincorporated area or the governing body of a
13 city or town for events to be held in a city or town, may issue up to
14 ~~twenty-five~~ FIFTY wine festival licenses for each calendar year for each
15 licensed ~~domestic~~ farm winery, for up to a total of ~~seventy-five~~ ONE HUNDRED
16 FIFTY calendar days per winery, authorizing sampling of ~~domestic~~ farm winery
17 products on the wine festival premises, the sale of ~~such~~ THE products for
18 consumption on the wine festival premises and the sale of ~~such~~ THE products
19 in original containers for consumption off the wine festival premises. The
20 fee for a ~~domestic~~ farm winery wine festival license is fifteen dollars PER
21 DAY for each event.

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

24 C. With the permission of the fair organizers, any ~~domestic~~ farm
25 winery is authorized to allow sampling of ~~domestic~~ farm winery products on
26 the fair premises, the sale of ~~such~~ THE products for consumption on the fair
27 premises and the sale of ~~such~~ THE products in original containers for
28 consumption off of the fair premises at any sanctioned county or state fair.
29 The fee for a ~~domestic~~ farm winery fair license is fifteen dollars PER DAY
30 for each event.

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

33 Sec. 8. Section 4-203.04, Arizona Revised Statutes, is amended to
34 read:

35 4-203.04. Direct shipment license; issuance; fee; requirements;
36 penalties; cease and desist orders

37 A. The director may issue a direct shipment license to a person who is
38 engaged in business as a distiller, vintner, brewer, rectifier, blender or
39 other producer of spirituous liquor if the person is licensed in the state
40 where the person's principal place of business is located and the director
41 determines that the person is capable and reliable and is qualified to hold a
42 direct shipment license.

1 B. A person shall apply for a direct shipment license on a form
2 prescribed by the director. The director may charge an application fee. In
3 addition to other matters required by the director, an application for a
4 direct shipment license shall include:

5 1. The address of the premises where the applicant's principal place
6 of business is located and a copy of the applicant's spirituous liquor
7 license in that state.

8 2. The name, address and telephone number of an officer of the
9 applicant who is authorized to represent the applicant before the director.

10 3. A complete and full disclosure by the applicant and by any officer,
11 director, administrator or controlling person of the applicant of any
12 criminal convictions in any state or foreign jurisdiction within the five
13 years immediately preceding the application.

14 4. The names and addresses of the wholesalers licensed in this state
15 through which the applicant will ship spirituous liquor into or within this
16 state.

17 5. The number of individual orders of spirituous liquor, if any, that
18 the applicant shipped to wholesalers in this state during the previous three
19 years and the names and addresses of each wholesaler ~~who~~ THAT received the
20 shipments.

21 6. A statement that the applicant acknowledges that shipments by the
22 applicant of spirituous liquor into or within this state contrary to this
23 section will result in the immediate suspension of the applicant's direct
24 shipment license.

25 C. The director may refuse to issue a direct shipment license for good
26 cause. After a hearing, the director may suspend or revoke a direct shipment
27 license for good cause. The director shall not issue a direct shipment
28 license to any person who:

29 1. Has had a direct shipment license or any license to deal in
30 spirituous liquor revoked in this state or any other state within one year
31 preceding the application.

32 2. Has been convicted of a felony in this state or any other state or
33 has been convicted of an offense in another state that would be a felony if
34 convicted in this state within five years preceding the application.

35 D. A direct shipment license is valid for three years. Direct
36 shipment licenses may not be renewed or transferred. A person who holds a
37 direct shipment license may apply for a new license not more than ninety days
38 before expiration of the person's current license.

39 E. A resident of this state who is twenty-one years of age or older
40 may place an order in person, by telephone, mail or catalog or on the
41 internet for spirituous liquor for the person's own personal use with a
42 person who holds a direct shipment license.

43 F. A person who holds a direct shipment license shall ensure that
44 shipments of spirituous liquor pursuant to this section are made in
45 conformance with all applicable provisions of this title and rules adopted

1 pursuant to this title. A direct shipment licensee who violates this title
2 or rules adopted pursuant to this title is subject to a civil or criminal
3 penalty and suspension or revocation of the person's license.

4 G. A person who holds a direct shipment license shall deliver
5 spirituous liquor ordered pursuant to subsection E of this section to a
6 wholesaler ~~who~~ THAT is licensed in this state. The wholesaler shall pay all
7 luxury taxes imposed on the shipment pursuant to title 42, chapter 3 to the
8 department of revenue and shall deliver the liquor to a retailer with
9 off-sale privileges ~~who~~ THAT is licensed in this state.

10 H. The licensed retailer shall deliver the spirituous liquor or shall
11 arrange for the delivery of the spirituous liquor to the person who placed
12 the order and shall collect and pay to the department of revenue all
13 transaction privilege taxes imposed pursuant to title 42, chapter 5. The
14 retailer shall:

15 1. Ensure that:

16 (a) The person making the delivery is twenty-one years of age or
17 older.

18 (b) The delivery occurs only during the hours that spirituous liquor
19 may be lawfully served in this state.

20 (c) Deliveries are not made to persons who are obviously intoxicated
21 or are otherwise disorderly.

22 (d) The person accepting the delivery is twenty-one years of age or
23 older and exhibits an acceptable written instrument of identification
24 pursuant to section 4-241.

25 2. Make a record of the delivery at the time of delivery on a form
26 approved by the director of the department of liquor licenses and control.
27 The record shall be retained by the retailer for at least two years and shall
28 include the following information:

29 (a) The business name, address and license number of the retailer.

30 (b) The date and time of delivery.

31 (c) The address where the delivery occurred.

32 (d) The type, brand and amount of the spirituous liquor delivered.

33 (e) The printed name and signature of the person making the delivery.

34 (f) The printed name and signature of the person accepting the
35 delivery, along with the type and serial number of the written identification
36 the person accepting delivery presented.

37 (g) The age of the person accepting delivery.

38 3. Refuse to complete a delivery if the retailer believes that the
39 delivery would violate any applicable provision of this title.

40 I. If the director has reasonable cause to believe that a person who
41 is licensed pursuant to this section is acting in violation of this section,
42 the director may serve a cease and desist order requiring the person to cease
43 and desist the violation. The director may impose a civil penalty of not
44 more than one hundred fifty thousand dollars PER VIOLATION against a person

1 who knowingly violates a cease and desist order issued pursuant to this
2 section.

3 J. Notwithstanding any other law, a person may ship wine as long as
4 all of the following apply:

5 1. The wine was purchased while the purchaser was physically present
6 at the winery.

7 2. The purchaser of the wine provided the winery verification of legal
8 age to purchase alcohol.

9 3. The shipping container in which the wine is shipped is marked to
10 require the signature on delivery of an adult who is of legal age to purchase
11 alcohol and delivery confirmation.

12 4. The wine is for personal use only and not for resale.

13 5. The winery ships to a residential or business address other than a
14 premises licensed pursuant to this title.

15 6. The purchaser could have carried the wine lawfully into or within
16 this state.

17 7. The winery ships not more than two cases of wine per winery to the
18 purchaser in any calendar year.

19 K. Section 4-201 does not apply to licenses issued pursuant to this
20 section.

21 L. COMMON CARRIERS OTHER THAN RAILROADS AS DEFINED IN SECTION 40-201
22 THAT SHIP SPIRITUOUS LIQUOR IN THIS STATE SHALL:

23 1. KEEP RECORDS OF SPIRITUOUS LIQUOR SHIPPED TO PERSONS IN THIS STATE,
24 INCLUDING THE SHIPPER'S COMPANY AND ADDRESS, THE RECIPIENT'S NAME AND
25 ADDRESS, THE SHIPMENT AND DELIVERY DATES AND THE WEIGHT OF SPIRITUOUS LIQUOR
26 SHIPPED.

27 2. REMIT THE RECORDS ON REQUEST OF THE DEPARTMENT.

28 Sec. 9. Section 4-205.02, Arizona Revised Statutes, is amended to
29 read:

30 4-205.02. Restaurant license: issuance: regulatory provisions:
31 expiration: definitions

32 A. The director may issue a restaurant license to any restaurant in
33 this state that is regularly open for the serving of food to guests for
34 compensation and that has suitable kitchen facilities connected with the
35 restaurant for keeping, cooking and preparing foods required for ordinary
36 meals.

37 B. The director shall issue the license in the name of the restaurant
38 upon application for the license by the owner or lessee of the restaurant,
39 provided the applicant is otherwise qualified to hold a spirituous liquor
40 license. The holder of such license is subject to the penalties prescribed
41 for any violation of the law relating to alcoholic beverages.

42 C. The holder of a restaurant license may sell and serve spirituous
43 liquors solely for consumption on the licensed premises. For the purpose of
44 this subsection, "licensed premises" may include rooms, areas or locations in
45 which the restaurant normally sells or serves spirituous liquors pursuant to

1 regular operating procedures and practices and that are contiguous to the
2 restaurant or a noncontiguous patio pursuant to section 4-101, paragraph 26.
3 For the purposes of this subsection, a restaurant licensee must submit proof
4 of tenancy or permission from the landowner or lessor for all property to be
5 included in the licensed premises.

6 D. In addition to other grounds prescribed in this title on which a
7 license may be revoked, the director may require the holder of a restaurant
8 license issued pursuant to this section to surrender the license in any case
9 in which the licensee ceases to operate as a restaurant, as prescribed in
10 subsection A of this section. The surrender of a license pursuant to this
11 subsection does not prevent the director from revoking the license for other
12 grounds prescribed in this title or for making deliberate material
13 misrepresentations to the department regarding the licensee's equipment,
14 service or entertainment items or seating capacity in applying for the
15 restaurant license.

16 E. Neither the director nor the board may initially issue a restaurant
17 license if either finds that there is sufficient evidence that the operation
18 will not satisfy the criteria adopted by the director for issuing a
19 restaurant license described in section 4-209, subsection B, paragraph 12.
20 The director shall issue a restaurant license only if the applicant has
21 submitted a plan for the operation of the restaurant. The plan shall be
22 completed on forms provided by the department and shall include listings of
23 all restaurant equipment and service items, the restaurant seating capacity
24 and other information requested by the department to substantiate that the
25 restaurant will operate in compliance with this section.

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

30 G. ~~Until January 1, 2015,~~ The director may charge a fee for site
31 inspections conducted before the issuance of a restaurant license.

32 H. For the purposes of this section:

33 1. "Gross revenue" means the revenue derived from all sales of food
34 and spirituous liquor on the licensed premises, regardless of whether the
35 sales of spirituous liquor are made under a restaurant license issued
36 pursuant to this section or under any other license that has been issued for
37 the premises pursuant to this article.

38 2. "Restaurant" means an establishment that derives at least forty per
39 cent of its gross revenue from the sale of food, including sales of food for
40 consumption off the licensed premises if the amount of these sales included
41 in the calculation of gross revenue from the sale of food does not exceed
42 fifteen per cent of all gross revenue of the restaurant.

1 Sec. 10. Section 4-205.03, Arizona Revised Statutes, is amended to
2 read:

3 4-205.03. Government license; issuance; regulatory provisions;
4 agreements with coliseum concessionaires;
5 definitions

6 A. The department may issue a government license to any STATE AGENCY,
7 STATE BOARD, STATE COMMISSION, county, city, town, community college or state
8 university ~~or~~, THE national guard or the Arizona exposition and state fair
9 board on application authorized by the governing body of the STATE AGENCY,
10 STATE BOARD, STATE COMMISSION, county, city, town, community college or state
11 university ~~or~~, THE national guard or the Arizona exposition and state fair
12 board.

13 B. If the department ~~decides to issue~~ ISSUES the license, it shall be
14 issued in the name of the STATE AGENCY, STATE BOARD, STATE COMMISSION,
15 county, city, town, community college or state university ~~or~~, THE national
16 guard or THE Arizona coliseum and exposition center. No application shall be
17 filed unless authorized by the respective governing body. The application
18 shall designate for each location a manager or other individual responsible
19 for administering the license. The STATE AGENCY, STATE BOARD, STATE
20 COMMISSION, county, city, town, community college or state university ~~or~~, THE
21 national guard or THE Arizona exposition and state fair board shall give
22 notice to the department within ten days of any change in the designee. The
23 STATE AGENCY, STATE BOARD, STATE COMMISSION, county, city, town, community
24 college or state university ~~or~~, THE national guard or THE Arizona coliseum
25 and exposition center to which a license is issued is subject to the fine or
26 penalty prescribed for any violation of the statutes relating to alcoholic
27 beverages.

28 C. The holder of a government license may sell and serve spirituous
29 liquors solely for consumption on the premises for which the license is
30 issued. A separate license is required for each premises on which spirituous
31 liquors are served. A single premises licensed under this section may
32 consist of not more than one dock area that is designated by a city or town
33 and that is situated on a lake owned by the city or town and not more than
34 thirty boats that are operated on the lake. A dock and boats that comprise a
35 premises under this subsection shall be operated in compliance with
36 subsection G of this section.

37 D. A governing body in possession of a government license may by
38 appropriate legislation or rule authorize the use of the license pursuant to
39 a concession agreement approved by the governing body.

40 E. The department may adopt rules in order to administer this section.

41 F. Any agreement entered into by the Arizona exposition and state fair
42 board allowing an indicated concessionaire to serve alcoholic beverages
43 pursuant to this section shall contain a provision requiring the
44 concessionaire to do both of the following:

1 1. Fully indemnify and hold harmless this state and any of its
2 agencies, boards, commissions, officers and employees against any liability
3 for loss or damage incurred either on or off state property and resulting
4 from the negligent serving of alcoholic beverages by the concessionaire or
5 the concessionaire's agents or employees.

6 2. Post a surety bond in favor of this state in an amount determined
7 by the Arizona exposition and state fair board to be sufficient to indemnify
8 this state against the potential liability or name this state as an
9 additional insured in a liability policy that provides sufficient coverage to
10 indemnify this state as determined by the Arizona exposition and state fair
11 board.

12 G. The following apply to the operation of a dock and boats as a
13 licensed premises pursuant to subsection C of this section:

14 1. Liquor may be sold only for consumption on the premises in
15 conjunction with consumption of food.

16 2. Liquor shall not be served or consumed on the dock. Liquor shall
17 not be served on a boat earlier than fifteen minutes before the boat is
18 scheduled to depart from the dock and shall not be served after a boat
19 returns to the dock.

20 3. A person shall not be served more than thirty-two ounces of beer,
21 one liter of wine or four ounces of distilled spirits while the person is on
22 a boat.

23 4. A person shall not bring spirituous liquor onto a boat other than
24 liquor purchased by the licensee or a concessionaire for resale under the
25 provisions of this title.

26 5. The pilot of each boat, all crew members and all persons who sell
27 or serve spirituous liquor on each boat are deemed employees of the licensee
28 for purposes of this title.

29 6. The pilot of each boat shall either have a current and valid coast
30 guard operator's license or shall have successfully completed a safety and
31 operator training course approved by the city or town.

32 7. Spirituous liquor shall not be served, consumed or possessed by a
33 customer on the boat between the hours of 11:00 p.m. and 5:00 p.m.

34 8. All provisions of this title and rules adopted pursuant to this
35 title that are not inconsistent with this section apply to sales and
36 consumption of spirituous liquor on the licensed premises.

37 H. For the purposes of this section:

38 1. "Arizona coliseum and exposition center" includes all property
39 under the control of the Arizona exposition and state fair board as provided
40 in section 3-1001.

41 2. "Boat" means a seaworthy vessel that is designed to carry and that
42 is capable of carrying not less than fifteen nor more than forty-five
43 passengers, that has a displacement of not more than ten tons and that
44 possesses a current coast guard certificate.

1 3. "Community college" has the same meaning prescribed in section
2 15-1401.

3 4. "State university" means institutions as described in section
4 15-1601.

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

7 4-205.04. Farm winery license; issuance; regulatory provisions;
8 retail site; fee

9 A. The director may issue a ~~domestic~~ farm winery license to any person
10 who meets the requirements of subsection C of this section. Each location
11 that engages in producing ~~and bottling~~ OR MANUFACTURING these products must
12 obtain a separate ~~domestic~~ farm winery license. The licensee may not
13 transfer the ~~domestic~~ farm winery license from person to person or from
14 location to location.

15 B. An applicant for a ~~domestic~~ farm winery license, at the time of
16 filing the application for the license, shall accompany the application with
17 the license fee. Persons holding a ~~domestic~~ farm winery license shall report
18 annually at the end of each ~~fiscal~~ CALENDAR year, at such time and in such
19 manner as the director may prescribe, the amount of wine PRODUCED OR
20 manufactured by them during the ~~fiscal~~ CALENDAR year. IN ADDITION TO ANY
21 PROVISION OF THIS TITLE, if the total amount of wine PRODUCED OR manufactured
22 during the year exceeds the amount permitted annually by the license, the
23 licensee shall apply for and receive a producer's license ONLY UPON SURRENDER
24 OF THE FARM WINERY LICENSE OR LICENSES.

25 C. A person may be licensed as a ~~domestic~~ farm winery to sell wine
26 produced or manufactured if in a calendar year it produces at least two
27 hundred gallons and not more than forty thousand gallons of wine and IF THE
28 WINERY EITHER HOLDS A WINERY PERMIT ISSUED BY THE UNITED STATES ALCOHOL AND
29 TOBACCO TAX AND TRADE BUREAU OR HAS A CONTRACT PURSUANT TO SUBSECTION E OF
30 THIS SECTION FOR THE PRODUCTION OR MANUFACTURING OF WINE FROM GRAPES OR OTHER
31 FRUIT GROWN ON AT LEAST FIVE PRODUCING ACRES OF LAND OWNED OR CONTROLLED BY
32 THE APPLICANT AND THE LAND HAS BEEN DEVOTED TO FRUIT GROWING FOR AT LEAST
33 THREE CONSECUTIVE CALENDAR YEARS. A LICENSED FARM WINERY may make sales and
34 deliveries of wine only as specifically provided in this section and as
35 follows:

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

38 2. A licensed ~~domestic~~ farm winery may serve wine produced or
39 manufactured on the premises for the purpose of sampling the wine. THE WINE
40 MAY INCLUDE WINE PRODUCED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.

41 3. A representative of the licensed ~~domestic~~ farm winery may consume
42 small amounts of the products of the licensed ~~domestic~~ farm winery ON THE
43 PREMISES for the purpose of sampling the wine. THE WINE MAY INCLUDE WINE
44 PRODUCED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.

1 4. A licensed ~~domestic~~ farm winery may sell to a consumer physically
2 present on the premises wine produced or manufactured on the premises in the
3 original container for consumption on or off the premises. ~~THE WINE MAY~~
4 ~~INCLUDE WINE PRODUCED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.~~

5 5. A licensed ~~domestic~~ farm winery may purchase and sell wine produced
6 by another licensed ~~domestic~~ farm winery ~~FOR CONSUMPTION ON OR OFF THE~~
7 ~~PREMISES~~ only if the retail sale is to a consumer physically present on the
8 premises of the ~~domestic~~ farm winery, ~~EXCEPT THAT THE SALES OF WINE PRODUCED~~
9 ~~BY ANOTHER WINERY MAY NOT EXCEED TWENTY PER CENT OF THE FARM WINERY'S SALES~~
10 ~~BY VOLUME. THE PERCENTAGE LIMITATION SHALL NOT APPLY TO WINE PRODUCED~~
11 ~~PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.~~

12 6. If the licensed ~~domestic~~ farm winery is not otherwise engaged in
13 the business of a distiller, vintner, brewer, rectifier, blender or other
14 producer of spirituous liquor in any jurisdiction, the licensed ~~domestic~~ farm
15 winery may hold licenses prescribed in section 4-209, subsection B,
16 ~~paragraphs 7, 10 and~~ ~~PARAGRAPH~~ 12 on the licensed ~~domestic~~ farm winery
17 premises or other retail premises. ~~EXCEPT AS PROVIDED IN PARAGRAPH 5 OF THIS~~
18 ~~SUBSECTION,~~ the licensed ~~domestic~~ farm winery shall purchase all ~~OTHER~~
19 spirituous liquor for sale at the ~~other~~ on-sale retail premises from
20 wholesalers ~~who~~ ~~THAT~~ are licensed in this state, except that a licensed
21 ~~domestic~~ farm winery may:

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

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

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

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

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

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

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

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

1 (d) The wine is DELIVERED BY THE LICENSED FARM WINERY OR shipped BY
2 THE LICENSED FARM WINERY BY A COMMON CARRIER to a residential or business
3 address other than a premises licensed pursuant to this title.

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

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

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

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

12 D. ON APPLICATION BY ONE OR MORE PERSONS, THE DIRECTOR MAY APPROVE
13 APPLICATIONS FOR GROUPING TWO OR MORE FARM WINERY LICENSES AT ONE LOCATION
14 UNDER A PLAN OF ALTERNATING PROPRIETORSHIPS IF A LICENSED WINERY HAS RECEIVED
15 APPROVAL OF THE ALTERNATING PROPRIETORSHIP BY THE UNITED STATES ALCOHOL AND
16 TOBACCO TAX AND TRADE BUREAU AND THE PARTICIPATING WINERIES OPERATE UNDER THE
17 REGULATIONS AND GUIDELINES THAT ARE ISSUED BY THE UNITED STATES ALCOHOL AND
18 TOBACCO TAX AND TRADE BUREAU. EACH PARTICIPATING WINERY SHALL BE RESPONSIBLE
19 FOR FILING ALL REPORTS THAT RELATE TO ITS WINE PRODUCTION OR MANUFACTURING
20 WITH THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU AND THE
21 DEPARTMENT.

22 E. A PERSON OTHERWISE QUALIFIED TO RECEIVE A FARM WINERY LICENSE MAY
23 ENTER INTO A CUSTOM CRUSH ARRANGEMENT WHERE A LICENSED WINERY PRODUCES OR
24 MANUFACTURES WINE FROM GRAPES OR OTHER FRUIT SUPPLIED BY THE PERSON. THE
25 WINERY RECEIVING THE FRUIT SHALL BE LICENSED BY THE UNITED STATES ALCOHOL AND
26 TOBACCO TAX AND TRADE BUREAU AND THE DEPARTMENT AND SHALL BE RESPONSIBLE FOR
27 FILING ALL REPORTS THAT RELATE TO ITS WINE PRODUCTION OR MANUFACTURING WITH
28 THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU AND THE
29 DEPARTMENT. EACH PERSON SUPPLYING THE GRAPES OR OTHER FRUIT SHALL FIRST
30 APPLY FOR AND RECEIVE A FARM WINERY LICENSE AND SHALL REPORT ALL VOLUMES OF
31 WINE FROM ITS CUSTOM CRUSH ARRANGEMENTS TO THE DEPARTMENT, WHICH SHALL NOT BE
32 ALLOCATED TO THE GALLONAGE OF THE RECEIVING WINERY.

33 F. ON APPLICATION BY A FARM WINERY LICENSEE, THE DIRECTOR MAY
34 AUTHORIZE A FARM WINERY LICENSEE TO OPERATE UP TO TWO REMOTE TASTING AND
35 RETAIL PREMISES IF:

36 1. THE WINE SOLD AT THE PREMISES IS LIMITED TO WINE PRODUCED OR
37 MANUFACTURED BY THE LICENSED FARM WINERY AND WINES PRODUCED OR MANUFACTURED
38 BY OTHER LICENSED FARM WINERIES, INCLUDING WINES PRODUCED OR MANUFACTURED
39 PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION. THE FARM WINERY MAY SELL
40 WINE TO A CONSUMER PHYSICALLY PRESENT ON THE PREMISES FOR CONSUMPTION ON OR
41 OFF THE PREMISES. SALES OF WINES NOT PRODUCED OR MANUFACTURED BY THE FARM
42 WINERY SHALL BE LIMITED TO NO MORE THAN TWENTY PER CENT OF THE TOTAL SALES BY
43 VOLUME AT THAT LOCATION. THE PERCENTAGE LIMITATION SHALL NOT APPLY TO WINE
44 PRODUCED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.

1 2. THE FARM WINERY LICENSEE:

2 (a) REMAINS RESPONSIBLE FOR THE PREMISES.

3 (b) OBTAINS APPROVAL FOR THE PREMISES FROM THE LOCAL GOVERNING BODY
4 BEFORE SUBMITTING AN APPLICATION TO THE DEPARTMENT. A COPY OF AN ORDER FROM
5 THE LOCAL GOVERNING BODY RECOMMENDING APPROVAL OF THE PREMISES MUST BE FILED
6 WITH THE DEPARTMENT AS PART OF THE APPLICATION.

7 (c) DOES NOT SUBLEASE THE PREMISES.

8 (d) HAS AN AGENT WHO IS A NATURAL PERSON WHO MEETS THE QUALIFICATIONS
9 OF LICENSURE IN THIS STATE.

10 (e) MEETS THE QUALIFICATIONS FOR A LICENSE PURSUANT TO SECTION 4-203,
11 SUBSECTION A.

12 G. A FARM WINERY LICENSEE MAY HOLD A CRAFT DISTILLERY LICENSE ISSUED
13 PURSUANT TO SECTION 4-205.10. THE FARM WINE AND CRAFT DISTILLERY LICENSEE
14 MAY ONLY PRODUCE DISTILLED SPIRITS UP TO A GALLONAGE OF ONE THOUSAND GALLONS
15 IN A CALENDAR YEAR FROM FRUIT PROCESSED AT THE WINERY FOR THE PRIMARY PURPOSE
16 OF MAKING WINE. THE FARM WINE AND CRAFT DISTILLERY LICENSEE IS SUBJECT TO
17 ALL OTHER REQUIREMENTS OF THIS SECTION AND SECTION 4-205.10. THE FARM WINERY
18 MAY PROVIDE SAMPLING AND SALES OF THE DISTILLED SPIRITS PURSUANT TO SECTION
19 4-205.10, SUBSECTION C, PARAGRAPHS 2 AND 3 ON THE SAME PREMISES AS THE WINE
20 SAMPLING AND RETAIL SALES.

21 ~~D.~~ H. The ~~domestic~~ farm winery is liable for any violation committed
22 in connection with any sale or delivery of the wine. The rules adopted by
23 the director pursuant to section 4-203, subsection J shall apply to the
24 delivery of wine under subsection C, paragraph 9 of this section. An act or
25 omission of any person who makes a sale or delivery of wine for a licensee
26 under subsection C, paragraph 9 of this section is deemed to be an act or
27 omission of the licensee for the purposes of section 4-210, subsection A,
28 paragraph 9.

29 ~~E.~~ I. A ~~domestic~~ farm winery that sells or delivers wine pursuant to
30 this section shall:

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

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

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

37 ~~G.~~ K. The director shall adopt rules in order to administer this
38 section.

39 L. THE DIRECTOR MAY CHARGE AN ADDITIONAL FARM WINERY LICENSE FEE
40 ADOPTED PURSUANT TO SECTION 4-209 FOR THE ISSUANCE OF LICENSES,
41 AUTHORIZATIONS OR APPROVALS PURSUANT TO SUBSECTIONS D, E AND F OF THIS
42 SECTION.

1 Sec. 12. Section 4-205.05, Arizona Revised Statutes, is amended to
2 read:

3 4-205.05. Disposal of seized or recovered liquor

4 A. The director may issue a temporary permit authorizing the disposal
5 at public auction of spirituous liquor that has been seized by any agency of
6 this state, the federal government, any political subdivision of this state,
7 any financial institution as defined in section 6-101 that has a security
8 interest in a license, ~~or~~ or the federal government pursuant to statute. A bid
9 at a public auction shall not be accepted from a licensee if the spirituous
10 liquors offered for sale at the auction were seized from that licensee. The
11 director shall issue the permit only if presented with proper documents of
12 seizure by the appropriate official. The director may dispose of seized
13 spirituous liquor in whole or in part by PUBLIC AUCTION, BY providing the
14 spirituous liquor to law enforcement for training purposes only, OR BOTH, OR
15 BY AUTHORIZING A QUALIFIED PERSON TO RECYCLE THE SPIRITUOUS LIQUOR.

16 B. Spirituous liquor with a stated expiration date on the label shall
17 not be offered for sale at public auction after the expiration date and shall
18 either be destroyed or disposed of as provided in this section. The licensed
19 wholesaler that distributes the spirituous liquor brand in that sales
20 territory may, but is not required to, accept a return of the liquor at no
21 cost for disposal or to enable it to be returned to the supplier.

22 Sec. 13. Section 4-205.08, Arizona Revised Statutes, is amended to
23 read:

24 4-205.08. Microbrewery license; issuance; regulatory
25 provisions; retail site

26 A. The director may issue a ~~domestic~~ microbrewery license to any
27 ~~domestic~~ microbrewery. Each location that engages in producing and bottling
28 these products must obtain a separate ~~domestic~~ microbrewery license. The
29 licensee may not transfer the ~~domestic~~ microbrewery license from person to
30 person or from location to location.

31 B. An applicant for a ~~domestic~~ microbrewery license, at the time of
32 filing the application for the license, shall accompany the application with
33 the license fee. Persons holding a ~~domestic~~ microbrewery license shall
34 report annually at the end of each calendar year, at such time and in such
35 manner as the director may prescribe, the amount of beer manufactured by them
36 during the calendar year and the amount delivered pursuant to subsection D,
37 paragraph 5, subdivision (b) OF THIS SECTION. If the total amount of beer
38 THAT IS PRODUCED OR manufactured ~~or delivered~~ during the calendar year
39 exceeds the amount permitted annually by the license, the licensee shall
40 apply for and receive a producer's license.

41 C. Notwithstanding any other statute, a licensed ~~domestic~~ microbrewery
42 may:

43 1. Sell beer produced or manufactured on the premises for consumption
44 on or off the premises.

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

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

6 4. Serve beer produced or manufactured on the premises for the purpose
7 of sampling the beer.

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

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

12 2. The microbrewery shall not produce more than one million two
13 hundred forty thousand gallons of beer in a calendar year.

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

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

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

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

21 5. The microbrewery may make sales and deliveries of beer that it has
22 produced to both:

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

25 (b) Other licensed retailers in ~~an~~ **A CUMULATIVE** amount not to exceed
26 ninety-three thousand gallons **IN TOTAL FOR ALL LICENSED RETAILERS** in any
27 calendar year.

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.

1 Sec. 14. Title 4, chapter 2, article 1, Arizona Revised Statutes, is
2 amended by adding sections 4-205.10 and 4-205.11, to read:

3 4-205.10. Craft distiller license; issuance; regulatory
4 provisions; fee

5 A. THE DIRECTOR MAY ISSUE A CRAFT DISTILLER LICENSE TO ANY PERSON THAT
6 MEETS THE REQUIREMENTS OF SUBSECTION C OF THIS SECTION. EACH LOCATION THAT
7 ENGAGES IN PRODUCING AND BOTTLING THESE PRODUCTS MUST OBTAIN A SEPARATE CRAFT
8 DISTILLER LICENSE. THE LICENSEE MAY NOT TRANSFER THE CRAFT DISTILLER LICENSE
9 FROM PERSON TO PERSON OR FROM LOCATION TO LOCATION AND MAY NOT ALSO HOLD A
10 PRODUCER'S LICENSE. THE LICENSEE AND ALL COMMONLY CONTROLLED CRAFT
11 DISTILLERY LICENSEES MAY NOT MANUFACTURE OR PRODUCE MORE THAN TWENTY THOUSAND
12 GALLONS OF DISTILLED SPIRITS IN A CALENDAR YEAR. FOR THE PURPOSES OF THIS
13 SECTION, "ANNUAL GALLONAGE" SHALL BE THE TOTAL PROOF GALLONS OF FINISHED
14 DISTILLED PRODUCT AVAILABLE FOR WHOLESALE OR RETAIL SALE AS DEFINED BY 26
15 UNITED STATES CODE SECTION 5002 AND RULES ADOPTED PURSUANT TO THIS SECTION OR
16 ITS SUCCESSOR.

17 B. PERSONS HOLDING A CRAFT DISTILLER LICENSE SHALL REPORT ANNUALLY AT
18 THE END OF EACH CALENDAR YEAR, AT SUCH TIME AND IN SUCH MANNER AS THE
19 DIRECTOR MAY PRESCRIBE, THE AMOUNT OF DISTILLED SPIRITS THAT IS PRODUCED OR
20 MANUFACTURED BY THAT LICENSEE DURING THE CALENDAR YEAR. IN ADDITION TO ANY
21 OTHER PROVISION OF THIS TITLE, IF THE TOTAL AMOUNT OF DISTILLED SPIRITS THAT
22 IS PRODUCED OR MANUFACTURED DURING THE YEAR EXCEEDS THE AMOUNT THAT IS
23 PERMITTED ANNUALLY BY THE LICENSE, THE LICENSEE SHALL APPLY FOR AND, UPON
24 QUALIFICATION, RECEIVE A PRODUCER'S LICENSE ONLY ON THE SURRENDER OF THE
25 CRAFT DISTILLER LICENSE AND SHALL HAVE NO CONTINUING RIGHTS AS A CRAFT
26 DISTILLERY LICENSEE UNDER THIS SECTION.

27 C. A PERSON MAY BE LICENSED AS A CRAFT DISTILLER TO SELL DISTILLED
28 SPIRITS THAT ARE PRODUCED OR MANUFACTURED BY THE PERSON IF IN A CALENDAR YEAR
29 THE PERSON PRODUCES OR MANUFACTURES NOT MORE THAN TWENTY THOUSAND GALLONS OF
30 DISTILLED SPIRITS AND MAY MAKE SALES AND DELIVERIES OF DISTILLED SPIRITS ONLY
31 AS SPECIFIED IN THIS SECTION AND SUBJECT TO THE FOLLOWING CRITERIA:

32 1. A LICENSED CRAFT DISTILLER MAY MAKE SALES AND DELIVERIES OF
33 DISTILLED SPIRITS TO WHOLESALERS THAT ARE LICENSED TO SELL DISTILLED SPIRITS
34 UNDER THIS TITLE.

35 2. A LICENSED CRAFT DISTILLER MAY SERVE DISTILLED SPIRITS THAT ARE
36 PRODUCED OR MANUFACTURED ON THE PREMISES FOR THE PURPOSE OF CONSUMPTION ON
37 THE PREMISES AND MAY CHARGE FOR SAMPLES ON THE PREMISES OF THE CRAFT
38 DISTILLER.

39 3. A LICENSED CRAFT DISTILLER MAY SELL DISTILLED SPIRITS THAT ARE
40 PRODUCED OR MANUFACTURED ON THE PREMISES IN THE ORIGINAL CONTAINER FOR
41 CONSUMPTION OFF THE PREMISES TO A CONSUMER WHO IS PHYSICALLY PRESENT ON THE
42 PREMISES.

43 4. THE LICENSED CRAFT DISTILLER MAY HOLD ONE LICENSE PRESCRIBED IN
44 SECTION 4-209, SUBSECTION B, PARAGRAPH 6 OR 12 ON OR ADJACENT TO THE LICENSED
45 CRAFT DISTILLER PREMISES. THE LICENSED CRAFT DISTILLER SHALL PURCHASE ALL

1 OTHER SPIRITUOUS LIQUOR FOR SALE AT THE ON-SALE RETAIL PREMISES FROM
2 WHOLESALERS THAT ARE LICENSED IN THIS STATE, EXCEPT THAT A LICENSED CRAFT
3 DISTILLER MAY:

4 (a) PURCHASE DISTILLED SPIRITS FROM OTHER CRAFT DISTILLERS THAT ARE
5 LICENSED IN THIS STATE. SALES OF CRAFT DISTILLERY PRODUCTS NOT PRODUCED OR
6 MANUFACTURED BY THE CRAFT DISTILLER SHALL BE LIMITED TO NO MORE THAN TWENTY
7 PER CENT OF THE TOTAL SALES BY VOLUME.

8 (b) MAKE DELIVERIES OF THE DISTILLED SPIRITS THAT THE CRAFT DISTILLER
9 MANUFACTURES OR PRODUCES TO ANY COMMONLY CONTROLLED RETAIL LICENSED PREMISES
10 AUTHORIZED PURSUANT TO PARAGRAPH 4 OF THIS SUBSECTION. THE AMOUNT OF THESE
11 DELIVERIES MUST BE INCLUDED IN THE LIMITATION PROVIDED UNDER PARAGRAPH 5 OF
12 THIS SUBSECTION.

13 5. A LICENSED CRAFT DISTILLER THAT PRODUCES NOT MORE THAN ONE THOUSAND
14 ONE HUNDRED EIGHTY NINE GALLONS OF DISTILLED SPIRITS IN A CALENDAR YEAR MAY
15 MAKE SALES AND DELIVERIES OF DISTILLED SPIRITS THAT THE LICENSED CRAFT
16 DISTILLER PRODUCES TO ON-SALE AND OFF-SALE RETAILERS.

17 6. NOTWITHSTANDING SECTION 4-244, PARAGRAPHS 3 AND 7, AN ON-SALE OR
18 OFF-SALE RETAILER MAY PURCHASE AND ACCEPT DELIVERY OF DISTILLED SPIRITS FROM
19 A LICENSED CRAFT DISTILLER PURSUANT TO PARAGRAPH 5 OF THIS SUBSECTION.

20 7. A LICENSED CRAFT DISTILLER MAY MAKE SALES AND DELIVERIES OF
21 DISTILLED SPIRITS THAT THE LICENSED CRAFT DISTILLER MANUFACTURES OR PRODUCES
22 TO CONSUMERS OFF OF THE LICENSED PREMISES IF THE SALE OR DELIVERY IS ORDERED
23 BY TELEPHONE, MAIL, FAX, CATALOGUE, THE INTERNET OR BY OTHER MEANS IF ALL OF
24 THE FOLLOWING CONDITIONS EXIST:

25 (a) THE PURCHASER OF THE DISTILLED SPIRITS PROVIDED THE LICENSED CRAFT
26 DISTILLER WITH VERIFICATION OF THE PURCHASER'S LEGAL AGE TO PURCHASE ALCOHOL
27 AND A COPY OF SAME IS MAINTAINED IN THE RECORDS OF THE CRAFT DISTILLER.

28 (b) THE SHIPPING CONTAINER IN WHICH THE DISTILLED SPIRITS IS SHIPPED
29 IS MARKED TO REQUIRE THE SIGNATURE ON DELIVERY OF AN ADULT WHO IS OF LEGAL
30 AGE TO PURCHASE ALCOHOL AND DELIVERY CONFIRMATION.

31 (c) THE DISTILLED SPIRITS ARE FOR PERSONAL USE ONLY AND NOT FOR
32 RESALE.

33 (d) THE DISTILLED SPIRITS ARE SHIPPED TO A RESIDENTIAL OR BUSINESS
34 ADDRESS OTHER THAN A PREMISES LICENSED PURSUANT TO THIS TITLE.

35 (e) THE PURCHASER COULD HAVE CARRIED THE DISTILLED SPIRITS LAWFULLY
36 INTO OR WITHIN THIS STATE.

37 (f) A PERSON WHO IS AT LEAST TWENTY-ONE YEARS OF AGE MAKES THE
38 DELIVERY.

39 (g) THE CRAFT DISTILLER SHALL COLLECT PAYMENT FOR THE PRICE OF THE
40 SPIRITUOUS LIQUOR NO LATER THAN AT THE TIME OF DELIVERY.

41 (h) SALES DO NOT EXCEED THE LIMITS PROVIDED UNDER PARAGRAPH 5 OF THIS
42 SUBSECTION.

43 D. ON APPLICATION BY A CRAFT DISTILLERY LICENSEE, THE DIRECTOR MAY
44 AUTHORIZE A CRAFT DISTILLERY LICENSEE TO OPERATE ONE OTHER REMOTE TASTING AND
45 RETAIL PREMISES IF:

1 1. THE DISTILLED SPIRITS SOLD AT THE PREMISES IS LIMITED TO DISTILLED
2 SPIRITS PRODUCED OR MANUFACTURED BY THE LICENSED CRAFT DISTILLERY AND
3 DISTILLED SPIRITS PRODUCED OR MANUFACTURED BY ANOTHER LICENSED CRAFT
4 DISTILLERY. THE CRAFT DISTILLERY MAY SELL TO A CONSUMER PHYSICALLY PRESENT
5 ON THE PREMISES DISTILLED SPIRITS PRODUCED BY THE CRAFT DISTILLERY OR BY
6 OTHER LICENSED CRAFT DISTILLERIES IN THE ORIGINAL CONTAINER FOR CONSUMPTION
7 ON OR OFF THE PREMISES. THE SALES OF THE DISTILLED SPIRITS PRODUCED OR
8 MANUFACTURED BY OTHER CRAFT DISTILLERIES SHALL NOT EXCEED TWENTY PER CENT OF
9 THE CRAFT DISTILLERY'S TOTAL SALES BY VOLUME.

10 2. THE CRAFT DISTILLERY 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 FROM
14 THE LOCAL GOVERNING BODY RECOMMENDING APPROVAL OF THE PREMISES MUST BE FILED
15 WITH THE DEPARTMENT AS PART OF THE APPLICATION.

16 (c) DOES NOT SUBLEASE THE PREMISES.

17 (d) HAS AN AGENT WHO SHALL BE A NATURAL PERSON WHO MEETS THE
18 QUALIFICATIONS OF LICENSURE IN THIS STATE.

19 (e) MEETS THE QUALIFICATIONS FOR A LICENSE PURSUANT TO SECTION 4-203,
20 SUBSECTION A.

21 E. THE CRAFT DISTILLER IS LIABLE FOR ANY VIOLATION THAT IS COMMITTED
22 IN CONNECTION WITH ANY SALE OR DELIVERY OF THE DISTILLED SPIRITS. THE RULES
23 ADOPTED BY THE DIRECTOR PURSUANT TO SECTION 4-203, SUBSECTION J APPLY TO THE
24 DELIVERY OF DISTILLED SPIRITS UNDER SUBSECTION C OF THIS SECTION. AN ACT OR
25 OMISSION OF ANY PERSON WHO MAKES A SALE OR DELIVERY OF DISTILLED SPIRITS FOR
26 A LICENSEE UNDER SUBSECTION C OF THIS SECTION IS DEEMED TO BE AN ACT OR
27 OMISSION OF THE LICENSEE FOR THE PURPOSES OF SECTION 4-210, SUBSECTION A,
28 PARAGRAPH 9.

29 F. A CRAFT DISTILLER THAT SELLS OR DELIVERS DISTILLED SPIRITS PURSUANT
30 TO THIS SECTION SHALL:

31 1. PAY TO THE DEPARTMENT OF REVENUE ALL LUXURY TAXES THAT ARE IMPOSED
32 PURSUANT TO TITLE 42, CHAPTER 3 AND ALL TRANSACTION PRIVILEGE OR USE TAXES
33 THAT ARE IMPOSED PURSUANT TO TITLE 42, CHAPTER 5.

34 2. FILE ALL RETURNS OR REPORTS THAT ARE REQUIRED BY LAW.

35 G. A DELIVERY OF DISTILLED SPIRITS BY A CRAFT DISTILLER TO A PURCHASER
36 IN THIS STATE IS A TRANSACTION DEEMED TO HAVE OCCURRED IN THIS STATE.

37 H. THE DIRECTOR MAY ADOPT RULES IN ORDER TO ADMINISTER THIS SECTION.

38 I. THE DIRECTOR MAY CHARGE A FEE ADOPTED PURSUANT TO SECTION 4-209 FOR
39 THE ISSUANCE OF A LICENSE PURSUANT TO THIS SECTION.

40 J. THE DIRECTOR MAY ISSUE A CRAFT DISTILLERY LICENSE TO BE LOCATED ON
41 THE SAME PARCEL OF LAND AS A FARM WINERY LICENSED PURSUANT TO SECTION
42 4-205.04.

1 4-205.11. Craft distillery festival license: craft distillery
2 fair license: craft distillery fee

3 A. THE DIRECTOR, SUBJECT TO THE APPROVAL OF THE BOARD OF SUPERVISORS
4 FOR EVENTS TO BE HELD IN AN UNINCORPORATED AREA OR THE GOVERNING BODY OF A
5 CITY OR TOWN FOR EVENTS TO BE HELD IN A CITY OR TOWN, MAY ISSUE UP TO
6 TWENTY-FIVE CRAFT DISTILLERY FESTIVAL LICENSES FOR EACH CALENDAR YEAR FOR
7 EACH LICENSED CRAFT DISTILLERY, FOR UP TO A TOTAL OF SEVENTY-FIVE CALENDAR
8 DAYS PER CRAFT DISTILLERY, AUTHORIZING SAMPLING OF CRAFT DISTILLERY PRODUCTS
9 ON THE CRAFT DISTILLERY FESTIVAL PREMISES, THE SALE OF THE PRODUCTS FOR
10 CONSUMPTION ON THE CRAFT DISTILLERY FESTIVAL PREMISES AND THE SALE OF THE
11 PRODUCTS IN ORIGINAL CONTAINERS FOR CONSUMPTION OFF THE CRAFT DISTILLERY
12 FESTIVAL PREMISES. THE DIRECTOR MAY ESTABLISH A PER DAY FEE FOR EACH EVENT
13 FOR A CRAFT DISTILLERY FESTIVAL LICENSE.

14 B. ANY CRAFT DISTILLERY MAY APPLY FOR A CRAFT DISTILLERY FESTIVAL
15 LICENSE PURSUANT TO THIS SECTION.

16 C. WITH THE PERMISSION OF THE STATE OR COUNTY FAIR ORGANIZERS, ANY
17 CRAFT DISTILLERY IS AUTHORIZED TO ALLOW SAMPLING OF CRAFT DISTILLERY PRODUCTS
18 ON THE FAIR PREMISES, THE SALE OF THE PRODUCTS FOR CONSUMPTION ON THE FAIR
19 PREMISES AND THE SALE OF THE PRODUCTS IN ORIGINAL CONTAINERS FOR CONSUMPTION
20 OFF OF THE FAIR PREMISES AT ANY SANCTIONED COUNTY OR STATE FAIR. THE
21 DIRECTOR MAY ESTABLISH A PER DAY FEE FOR EACH EVENT FOR A CRAFT DISTILLERY
22 FAIR LICENSE.

23 D. SECTION 4-201 DOES NOT APPLY TO THE LICENSES PROVIDED FOR UNDER
24 THIS SECTION.

25 Sec. 15. Section 4-206.01, Arizona Revised Statutes, is amended to
26 read:

27 4-206.01. Bar, beer and wine bar or liquor store licenses:
28 number permitted; fee; sampling privileges

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

32 B. In each county, the director, each year, shall issue additional
33 bar, beer and wine bar or liquor store licenses at the rate of one of each
34 type for each additional ten thousand person increase over the population in
35 that county as of July 1, 2010. **ANY LICENSES THAT HAVE BEEN REVOKED OR**
36 **REVERTED IN ANY COUNTY AFTER JULY 1, 2014 MAY BE REISSUED BY THE DIRECTOR IN**
37 **THE COUNTY OF THEIR ISSUANCE.** The director may waive the issuance of any
38 series of new, **REVOKED OR REVERTED** licenses in a county for one year where
39 there has been no request made to the department for the issuance of a new
40 license of that series. For the purposes of this subsection, the population
41 of a county is deemed to be the population estimated by the office of
42 employment and population statistics within the Arizona department of
43 administration as of July 1 of each year.

44 C. A person issued a license authorized by subsection B of this
45 section shall pay an additional issuance fee equal to the license's fair

1 market value that shall be paid to the state general fund. The fair market
2 value shall be defined to mean the mean value of licenses of the same type
3 sold on the open market in the same county during the prior twelve months,
4 but if there are not three or more ~~such~~ sales then the fair market value
5 shall be determined by ~~three~~ TWO appraisals furnished to the department by
6 independent professional appraisers employed by the director.

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

10 E. If more than one person applies for an available license, a
11 priority of applicants shall be determined by a random selection method
12 prescribed by the director.

13 F. After January 1, 2011, bar licenses and beer and wine bar licenses
14 shall be issued and used only if the clear primary purpose and actual primary
15 use is for on-sale retailer privileges. The off-sale privileges associated
16 with a bar license and a beer and wine bar license shall be limited to use,
17 which is clearly auxiliary to the active primary on-sale privilege. A bar
18 license or a beer and wine bar license shall not be issued or used if the
19 associated off-sale use, by total retail spirituous liquor sales, exceeds
20 thirty per cent of the sales price of on-sale spirituous liquors by the
21 licensee at that location. For dual licenses issued pursuant to a single
22 site or where a second license is issued to a site that already has a
23 spirituous liquor license, other than settlement licenses issued as provided
24 by law, the applicant shall have the burden of establishing that public
25 convenience and the best interest of the community will be served by the
26 issuance of the license.

27 G. The director may issue a beer and wine store license to the holder
28 of a beer and wine bar license simultaneously at the same premises. An
29 applicant for a beer and wine bar license and a beer and wine store license
30 may consolidate the application and may apply for both licenses at the same
31 time. The holder of each license shall fully comply with all applicable
32 provisions of this title. A beer and wine bar license and beer and wine
33 store license on the same premises shall be owned by and issued to the same
34 licensee.

35 H. The director may issue a beer and wine bar license to the holder of
36 a liquor store license issued simultaneously at the same premises. An
37 applicant for a liquor store license and a beer and wine bar license may
38 consolidate the application and may apply for both licenses at the same time.
39 The holder of each license shall fully comply with all applicable provisions
40 of this title. A liquor store license and a beer and wine bar license on the
41 same premises shall be owned by and issued to the same licensee.

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

1 The holder of each license shall fully comply with all applicable provisions
2 of this title. A restaurant license and a beer and wine bar license on the
3 same premises shall be owned by and issued to the same licensee. The
4 limitation set forth in subsection F of this section with respect to the
5 off-sale privileges of the beer and wine bar licenses shall be measured
6 against the on-sales of beer and wine sales of the establishment. For the
7 purposes of compliance with section 4-205.02, subsection H, paragraph 2, it
8 shall be conclusively presumed that all on premises sales of spirituous
9 liquors are made under the authority of the restaurant license.

10 J. An applicant for a liquor store license or a beer and wine store
11 license and the licensee of a liquor store license or a beer and wine store
12 license may apply for sampling privileges associated with the license. Beer
13 and wine store premises shall contain at least five thousand square feet in
14 order to be eligible for sampling privileges. A person desiring a sampling
15 privilege associated with a liquor store license shall apply to the director
16 on a form prescribed and furnished by the director. The application for
17 sampling privileges may be filed for an existing license or may be submitted
18 with an initial license application. The request for sampling approval, the
19 review of the application and the issuance of approval shall be conducted
20 under the same procedures for the issuance of a spirituous liquor license
21 prescribed in section 4-201. After a sampling privilege has been issued for
22 a liquor store license or a beer and wine store license, the sampling
23 privilege shall be noted on the license itself and in the records of the
24 department. The sampling rights associated with a license are not
25 transferable. ~~Until January 1, 2015,~~ The director may charge a fee for
26 processing the application for sampling privileges and a renewal fee as
27 provided in this section. A city or town shall not charge any fee relating
28 to the issuance or renewal of a sampling privilege. Notwithstanding section
29 4-244, paragraph 19, a liquor store licensee or a beer and wine store
30 licensee that holds a license with sampling privileges may provide spirituous
31 liquor sampling subject to the following requirements:

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

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

37 3. The licensed retailer shall make sales of sampled products from the
38 licensed retail premises.

39 4. The licensee shall not charge any customer for the sampling of any
40 products.

41 5. The sampling shall be conducted under the supervision of an
42 employee of a sponsoring distiller, vintner, brewer, wholesaler or retail
43 licensee.

44 6. Accurate records of sampling products dispensed shall be retained
45 by the licensee.

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

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

5 K. If a beer and wine bar license and a beer and wine store license
6 are issued at the same premises, for **THE** purposes of reporting liquor
7 purchases under each license, all spirituous beverages purchased for sampling
8 are conclusively presumed to be purchased under the beer and wine bar license
9 and all spirituous liquor sold off-sale are conclusively presumed to be
10 purchased under the beer and wine store license.

11 L. The director may issue a beer and wine store license to the holder
12 of a bar license simultaneously at the same premises. An applicant for a
13 beer and wine store license and a bar license may consolidate the application
14 and may apply for both licenses at the same time. The holder of each license
15 shall fully comply with all applicable provisions of this title. A beer and
16 wine store license and a bar license on the same premises shall be owned by
17 and issued to the same licensee. If a beer and wine store license and a bar
18 license are issued at the same premises, for purposes of reporting liquor
19 purchases under each license, all off-sale beer and wine sales are
20 conclusively presumed to be purchased under the beer and wine store license.

21 Sec. 16. Section 4-207, Arizona Revised Statutes, is amended to read:

22 4-207. Restrictions on licensing premises near school or church
23 buildings; definitions

24 A. A retailer's license shall not be issued for any premises ~~which~~
25 **THAT** are, at the time the license application is received by the director,
26 within three hundred horizontal feet of a church, within three hundred
27 horizontal feet of a public or private school building with kindergarten
28 programs or any of grades one through twelve or within three hundred
29 horizontal feet of a fenced recreational area adjacent to such school
30 building. This section does not prohibit the renewal of a valid license
31 issued pursuant to this title if, on the date that the original application
32 for the license is filed, the premises were not within three hundred
33 horizontal feet of a church, within three hundred horizontal feet of a public
34 or private school building with kindergarten programs or any of grades one
35 through twelve or within three hundred horizontal feet of a fenced
36 recreational area adjacent to such school building.

37 B. Subsection A of this section does not apply to a:

38 1. Restaurant issued a license pursuant to section 4-205.02.

39 2. Special event license issued pursuant to section 4-203.02.

40 3. Hotel-motel issued a license pursuant to section 4-205.01.

41 4. Government license issued pursuant to section 4-205.03.

42 5. ~~Fenced~~ Playing area of a golf course issued a license pursuant to
43 this article.

44 6. **A BEER AND WINE LICENSE AT A NOT-FOR-PROFIT PERFORMING ARTS THEATRE**
45 **WITH A PERMANENT SEATING CAPACITY OF AT LEAST TWO HUNDRED FIFTY PERSONS.**

1 C. Notwithstanding subsection A of this section:

2 1. A TRANSFERRABLE spirituous liquor license ~~which~~ THAT is validly
3 issued and ~~which~~ THAT is, on the date an application for a transfer is filed,
4 within three hundred horizontal feet of a church, within three hundred
5 horizontal feet of a public or private school building with kindergarten
6 programs or any of grades one through twelve or within three hundred
7 horizontal feet of a fenced recreational area adjacent to such school
8 building may be transferred person to person pursuant to sections 4-201,
9 4-202 and 4-203 and remains in full force until the license is terminated in
10 any manner, unless renewed pursuant to section 4-209, subsection A.

11 2. A person may be issued a spirituous liquor license pursuant to
12 sections 4-201, 4-202 and 4-203 of the same class for premises ~~which~~ THAT ON
13 THE DATE THE APPLICATION IS FILED, have a VALID TRANSFERABLE OR
14 nontransferable ~~spirituous liquor~~ license ~~validly issued~~ OF THE SAME SERIES
15 if the premises are, on the date an application for such license is filed,
16 within three hundred horizontal feet of a church, within three hundred
17 horizontal feet of a public or private school building with kindergarten
18 programs or any of grades one through twelve or within three hundred
19 horizontal feet of a fenced recreational area adjacent to such school
20 building and the license remains in full force until the license is
21 terminated in any manner, unless renewed pursuant to section 4-209,
22 subsection A.

23 3. A person may be issued a liquor store license pursuant to sections
24 4-201, 4-202, 4-203 and 4-206.01 for premises ~~which~~ THAT have a beer and wine
25 store license validly issued if the premises, on the date an application for
26 such license is filed, are within three hundred horizontal feet of a church,
27 within three hundred horizontal feet of a public or private school building
28 with kindergarten programs or any of grades one through twelve or within
29 three hundred horizontal feet of a fenced recreational area adjacent to such
30 school building and the license remains in full force until the license is
31 terminated in any manner, unless renewed pursuant to section 4-209,
32 subsection A.

33 4. The governing body of a city or town, on a case-by-case basis, may
34 approve an exemption from the distance restrictions prescribed in this
35 section for a church or a public or private school that is located in an area
36 that is designated an entertainment district by the governing body of that
37 city or town. A city or town with a population of at least five hundred
38 thousand persons may designate no more than three entertainment districts
39 within the boundaries of the city or town pursuant to this paragraph. A city
40 or town with a population of at least two hundred thousand persons but less
41 than five hundred thousand persons may designate no more than two
42 entertainment districts within the boundaries of the city or town pursuant to
43 this paragraph. A city or town with a population of less than two hundred
44 thousand persons may designate no more than one entertainment district within
45 the boundaries of the city or town pursuant to this paragraph.

1 5. A person may be issued a beer and wine store license pursuant to
2 sections 4-201, 4-202, 4-203 and 4-206.01 for premises that have a liquor
3 store license validly issued if the premises, on the date of an application
4 for which ~~such~~ **THE** license is filed, are within three hundred horizontal feet
5 of a church, within three hundred horizontal feet of a public or private
6 school building with kindergarten programs or any of grades one through
7 twelve or within three hundred horizontal feet of a fenced recreation area
8 adjacent to such school building and the license remains in full force until
9 the license is terminated in any manner, unless renewed pursuant to section
10 4-209, subsection A.

11 D. For the purposes of this section:

12 1. "Church" means a building which is erected or converted for use as
13 a church, where services are regularly convened, ~~which~~ **THAT** is used primarily
14 for religious worship and schooling and ~~which~~ **THAT** a reasonable person would
15 conclude is a church by reason of design, signs or architectural or other
16 features.

17 2. "Entertainment district" means a specific contiguous area that is
18 designated an entertainment district by a resolution adopted by the governing
19 body of a city or town, that consists of no more than one square mile, that
20 is no less than one-eighth of a mile in width and that contains a significant
21 number of entertainment, artistic and cultural venues, including music halls,
22 concert facilities, theaters, arenas, stadiums, museums, studios, galleries,
23 restaurants, bars and other related facilities.

24 Sec. 17. Section 4-207.01, Arizona Revised Statutes, is amended to
25 read:

26 4-207.01. Submission of floor plan required: alteration of
27 licensed premises: ingress and egress to off-sale
28 package sales in on-sale licensed premises

29 A. No licensee of premises approved for transfer or an original
30 location of on-sale spirituous liquor license shall open such licensed
31 premises to the public for sale of spirituous liquor until the licensee shall
32 first have filed with the director floor plans and diagrams completely
33 disclosing and designating the physical arrangement of the licensed premises,
34 including whether the licensee intends to sell spirituous liquor by means of
35 a drive-through or other physical feature of the licensed premises that
36 allows a customer to purchase spirituous liquor without leaving the
37 customer's vehicle, and shall have secured the written approval of the
38 director to so open and operate such premises. The director may require the
39 installation and maintenance of physical barriers around outside serving
40 areas to control liquor service, delineate licensed premises and control the
41 ingress and egress to and from the licensed premises for the purpose of
42 providing for the safety of patrons and preventing underage possession and
43 consumption, the removal of alcohol from the premises, the unauthorized
44 bringing of alcohol onto the premises and the unauthorized consumption of
45 alcohol in a public area or thoroughfare.

1 B. No licensee shall alter or change the physical arrangement of his
2 licensed premises so as to encompass greater space or the use of different or
3 additional entrances, openings or accommodations than the space, entrance or
4 entrances, openings or accommodations offered to the public at the time of
5 issuance of the licensee's license or a prior written approval of the
6 licensed premises, without first having filed with the director floor plans
7 and diagrams completely disclosing and designating the proposed physical
8 alterations of the licensed premises, including the addition of a
9 drive-through or other physical feature to the licensed premises that allows
10 a customer to purchase spirituous liquor without leaving the customer's
11 vehicle, and shall have secured the written approval by the director. This
12 subsection shall apply to any person to person transfer of the licensed
13 premises. ~~Until January 1, 2015,~~ The director may charge a fee for review of
14 floor plans and diagrams submitted by a licensee pursuant to this section.

15 C. The provisions of this section shall not be construed to prohibit
16 in any way off-sale package sales in on-sale licensed premises, but the
17 permission to open the premises to the public under subsections A and B shall
18 not be granted if the licensee under the privilege provided for off-sale
19 under an on-sale license proposes to maintain an off-sale operation with
20 ingress and egress directly from the outside of such premises to such
21 off-sale operation other than the ingress and egress provided for the on-sale
22 operation of the licensed premises.

23 D. The provisions of this section shall apply to all applications,
24 transfers and alterations.

25 Sec. 18. 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 STATE AGENCY,
16 STATE COMMISSION, STATE BOARD, county, city, town, community college or state
17 university or THE national guard, one 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. THE
43 DIRECTOR MAY CHARGE A LICENSED FARM WINERY A FEE PURSUANT TO SECTION
44 4-205.04, SUBSECTION D, E OR F.

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

4 15. For an out-of-state winery that sells not more than ~~fifty cases~~ TWO
5 HUNDRED FORTY GALLONS of wine in this state in a calendar year, twenty-five
6 dollars.

7 16. THE DEPARTMENT MAY CHARGE A FEE FOR A CRAFT DISTILLER LICENSE.

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

14 D. The annual fees for licenses shall be:

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

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

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

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

23 5. For a government license issued to a county, city or town,
24 community college or state university or the national guard, one hundred
25 dollars.

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

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

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

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

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

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

4 12. For a restaurant license issued as such, to sell and serve
5 spirituous liquors solely for consumption on the licensed premises of the
6 restaurant, five hundred dollars, and for a restaurant license that is
7 permitted to continue operating as a restaurant pursuant to section 4-213,
8 subsection E, an additional amount established by the director. The
9 department shall transfer this amount to the state treasurer for deposit in
10 the state general fund.

11 13. For a ~~domestic~~ farm winery license, one hundred dollars. **THE**
12 **DIRECTOR MAY CHARGE A LICENSED FARM WINERY AN ANNUAL FEE PURSUANT TO SECTION**
13 **4-205.04, SUBSECTION D, E OR F.**

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

17 15. For an out-of-state winery that sells not more than ~~twenty-five~~
18 ~~cases~~ **TWO HUNDRED FORTY GALLONS** of wine in this state in a calendar year,
19 twenty-five dollars.

20 **16. THE DIRECTOR MAY CHARGE A FEE FOR THE ANNUAL RENEWAL OF A CRAFT**
21 **DISTILLER LICENSE.**

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

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

29 G. Transfer fees from location to location, as provided for in section
30 4-203, shall be one hundred dollars.

31 H. Assignment fees for a change of agent, as provided for in section
32 4-202, subsection C, shall be one hundred dollars, except that where a
33 licensee holds multiple licenses the assignment fee for the first license
34 shall be one hundred dollars and the assignment fee for all remaining
35 licenses transferred to the same agent shall be fifty dollars each, except
36 that the aggregate assignment fees shall in no event exceed one thousand
37 dollars.

38 I. No fee shall be charged by the department for an assignment of a
39 liquor license in probate or an assignment pursuant to the provisions of a
40 will or pursuant to a judicial decree in a domestic relations proceeding
41 which assigns ownership of a business which includes a spirituous liquor
42 license to one of the parties in the proceeding. In the case of
43 nontransferable licenses no fee shall be charged by the department for the
44 issuance of a license for a licensed business pursuant to a transfer of the
45 business in probate or pursuant to the provisions of a will or pursuant to a

1 judicial decree in a domestic relations proceeding which assigns ownership of
2 the business to one of the parties in the proceeding.

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

10 K. The director shall assess a surcharge of thirty-five dollars on all
11 licenses prescribed in this section. Monies from the surcharge shall be used
12 by the department exclusively for the costs of an enforcement program to
13 investigate licensees who have been the subject of multiple complaints to the
14 department. The enforcement program shall respond to complaints against
15 licensees by neighborhood associations, by neighborhood civic groups and from
16 municipal and county governments. The department shall assess the surcharge
17 as part of the annual license renewal fee.

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

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

33 Sec. 19. Section 4-210, Arizona Revised Statutes, is amended to read:

34 4-210. Grounds for revocation, suspension and refusal to renew:
35 notice; complaints; hearings

36 A. After notice and hearing, the director may suspend, revoke or
37 refuse to renew any license issued pursuant to this chapter for any of the
38 following reasons:

39 1. There occurs on the licensed premises repeated acts of violence or
40 disorderly conduct.

41 2. The licensee fails to satisfactorily maintain the capability,
42 qualifications and reliability requirements of an applicant for a license
43 prescribed in section 4-202 or 4-203.

44 3. The licensee or controlling person knowingly files with the
45 department an application or other document that contains material

1 information that is false or misleading or while under oath knowingly gives
2 testimony in an investigation or other proceeding under this title that is
3 false or misleading.

4 4. The licensee or controlling person is on the premises habitually
5 intoxicated.

6 5. The licensed business is delinquent for more than one hundred
7 twenty days in the payment of taxes, penalties or interest in an amount that
8 exceeds two hundred fifty dollars to the state or to any political
9 subdivision of the state.

10 6. The licensee or controlling person obtains, assigns, transfers or
11 sells a spirituous liquor license without compliance with this title or
12 leases or subleases a license.

13 7. The licensee fails to keep for two years and make available to the
14 department on reasonable request all invoices, records, bills or other papers
15 and documents relating to the purchase, sale and delivery of spirituous
16 liquors and, in the case of a restaurant or hotel-motel licensee, all
17 invoices, records, bills or other papers and documents relating to the
18 purchase, sale and delivery of food.

19 8. The licensee or controlling person is convicted of a felony
20 provided that for a conviction of a corporation to serve as a reason for any
21 action by the director, conduct that constitutes the corporate offense and
22 was the basis for the felony conviction must have been engaged in,
23 authorized, solicited, commanded or recklessly tolerated by the directors of
24 the corporation or by a high managerial agent acting within the scope of
25 employment.

26 9. The licensee or controlling person violates or fails to comply with
27 this title, any rule adopted pursuant to this title or any liquor law of this
28 state or any other state.

29 10. The licensee fails to take reasonable steps to protect the safety
30 of a customer of the licensee OR ANY OTHER PERSON entering, leaving or
31 remaining on the licensed premises when the licensee knew or reasonably
32 should have known of the danger to the person, or the licensee fails to take
33 reasonable steps to intervene by notifying law enforcement officials or
34 otherwise to prevent or break up an act of violence or an altercation
35 occurring on the licensed premises or immediately adjacent to the premises
36 when the licensee knew or reasonably should have known of the acts of
37 violence or altercations.

38 11. The licensee or controlling person lacks good moral character.

39 12. The licensee or controlling person knowingly associates with a
40 person who has engaged in racketeering, as defined in section 13-2301, or who
41 has been convicted of a felony, and the association is of a nature as to
42 create a reasonable risk that the licensee will fail to conform to the
43 requirements of this title or of any criminal statute of this state.

44 13. A licensee that is a liquor store as defined in section 46-297
45 violates the restrictions on use of automatic teller machines or

1 point-of-sale terminals regarding electronic benefit transfer cards
2 prescribed in section 4-242.01.

3 14. THERE OCCURS ON THE LICENSED PREMISES A SERIOUS ACT OF VIOLENCE.
4 FOR THE PURPOSES OF THIS PARAGRAPH, "SERIOUS ACT OF VIOLENCE" MEANS AN
5 INCIDENT CONSISTING OF A RIOT, A BRAWL OR A DISTURBANCE IN WHICH A SERIOUS
6 INJURY CAUSES THE DEATH OR CRITICAL INJURY OF A PERSON AND SUCH INJURIES
7 WOULD BE OBVIOUS TO A REASONABLE PERSON.

8 15. THE LICENSEE FAILS TO REPORT A SERIOUS ACT OF VIOLENCE THAT OCCURS
9 ON THE LICENSED PREMISES. FOR THE PURPOSES OF THIS PARAGRAPH, "SERIOUS ACT
10 OF VIOLENCE" MEANS AN INCIDENT CONSISTING OF A RIOT, A BRAWL OR A DISTURBANCE
11 IN WHICH A SERIOUS INJURY CAUSES DEATH OR CRITICAL INJURY OF A PERSON AND
12 SUCH INJURIES WOULD BE OBVIOUS TO A REASONABLE PERSON.

13 B. For the purposes of:

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

18 2. Subsection A, paragraphs 9 and 10 of this section, acts or
19 omissions of an employee of a licensee, ~~which~~ THAT violate any provision of
20 this title or rules adopted pursuant to this title shall be deemed to be acts
21 or omissions of the licensee. Acts or omissions by an employee or licensee
22 committed during the time the licensed premises were operated pursuant to an
23 interim permit or without a license may be charged as if they had been
24 committed during the period the premises were duly licensed.

25 C. The director may suspend, revoke or refuse to issue, transfer or
26 renew a license under this section based solely on the unrelated conduct or
27 fitness of any officer, director, managing agent or other controlling person
28 if the controlling person retains any interest in or control of the licensee
29 after sixty days following written notice to the licensee. If the
30 controlling person holds stock in a corporate licensee or is a partner in a
31 partnership licensee, the controlling person may only divest himself of his
32 interest by transferring the interest to the existing stockholders or
33 partners who must demonstrate to the department that they meet all the
34 requirements for licensure. For the purposes of this subsection, the conduct
35 or fitness of a controlling person is unrelated if it would not be
36 attributable to the licensee.

37 D. If the director finds, based on clear and convincing evidence in
38 the record, that a violation involves the use by the licensee of a
39 drive-through or walk-up service window or other physical feature of the
40 licensed premises that allows a customer to purchase spirituous liquor
41 without leaving the customer's vehicle or, with respect to a walk-up service
42 window that prevents the licensee from fully observing the customer, and that
43 the use of that drive-through or walk-up service window or other physical
44 feature caused the violation, the director may suspend or terminate the
45 licensee's use of the drive-through or walk-up service window or other

1 physical feature for the sale of spirituous liquor, in addition to any other
2 sanction.

3 E. The director may refuse to transfer any license or issue a new
4 license at the same location if the director has filed a complaint against
5 the license or location that has not been resolved alleging a violation of
6 any of the grounds set forth in subsection A of this section until the time
7 the complaint has been finally adjudicated.

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

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

1 H. A hearing shall conform to the requirements of title 41, chapter 6,
2 article 10. At the hearing an attorney or corporate officer or employee of a
3 corporation may represent the corporation.

4 I. The expiration, cancellation, revocation, reversion, surrender,
5 acceptance of surrender or termination in any other manner of a license does
6 not prevent the initiation or completion of a disciplinary proceeding
7 pursuant to this section against the licensee or license. An order issued
8 pursuant to a disciplinary proceeding against a license is enforceable
9 against other licenses or subsequent licenses in which the licensee or
10 controlling person of the license has a controlling interest.

11 J. The department shall provide the same notice as is provided to the
12 licensee to a lienholder, which has provided a document under section 4-112,
13 subsection B, paragraph 3, of all disciplinary or compliance action with
14 respect to a license issued pursuant to this title. The state shall not be
15 liable for damages for any failure to provide any notice pursuant to this
16 subsection.

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

21 1. That the lienholder's interest is a bona fide security interest.
22 For the purposes of this paragraph, "bona fide security interest" means the
23 lienholder provides actual consideration to the licensee or the licensee's
24 predecessor in interest in exchange for the lienholder's interest. Bona fide
25 security interest includes a lien taken by the seller of a license as
26 security for the seller's receipt of all or part of the purchase price of the
27 license.

28 2. That a statement of legal or equitable interest was filed with the
29 department before the alleged conduct occurred that is the basis for the
30 action against the license.

31 3. That the lienholder took reasonable steps to correct the licensee's
32 prior actions, if any, or initiated an action pursuant to available contract
33 rights against the licensee for the forfeiture of the license after being
34 provided with notice by the department of disciplinary action as provided in
35 subsection J of this section.

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

38 5. That the lienholder reasonably attempted to remain informed by the
39 licensee about the business' conduct.

40 L. If the director decides not to revoke the license based on the
41 circumstances provided in subsection K of this section, the director may
42 issue an order requiring either, or both, of the following:

43 1. The forfeiture of all interest of the licensee in the license.

44 2. The lienholder to pay any civil monetary penalty imposed on the
45 licensee.

1 M. If any on-sale licensee proposes to provide large capacity
2 entertainment events or sporting events with an attendance capacity exceeding
3 a limit established by the director, the director may request a security plan
4 from the licensee that may include trained security officers, lighting and
5 other requirements. This subsection exclusively prescribes the security
6 requirements for a licensee and does not create any civil liability for the
7 state, its agencies, agents or employees or a person licensed under this
8 title or agents or employees of a licensee.

9 Sec. 20. Section 4-212, Arizona Revised Statutes, is amended to read:

10 4-212. Injunctions

11 If the board or the director has reasonable grounds to believe that a
12 person is violating section 4-244.05 OR 4-250.01 or is manufacturing, selling
13 or dealing in spirituous liquor without a valid license, permit or
14 registration in violation of this title, the board or the director may apply
15 to the superior court for a temporary restraining order and other injunctive
16 relief prohibiting the specific acts complained of by the board or the
17 director.

18 Sec. 21. Section 4-222, Arizona Revised Statutes, is amended to read:

19 4-222. Registration of retail agents; fees

20 A. Every person who holds a bar, beer and wine bar, liquor store, beer
21 and wine store, club, hotel-motel or restaurant license and who is authorized
22 by other similarly licensed retailers to act as their retail agent shall
23 register with the director. Such registration shall be in accordance with
24 the ~~regulations~~ RULES adopted by the director pursuant to section 4-112 and
25 shall also include a listing of the names and business addresses of those
26 similarly licensed retailers who have authorized him to act as their retail
27 agent. While possessing a certificate of registration, a retail agent shall
28 be entitled to purchase and shall accept delivery of spirituous liquors for
29 which he is licensed for and on behalf of himself and those similarly
30 licensed retailers who have authorized him to act as their retail agent WITH
31 THE DELIVERY TO BE MADE AT THE RETAIL AGENT'S LICENSED PREMISES OR OTHER
32 LOCATION AUTHORIZED BY THE DEPARTMENT. On the termination of such
33 authorization by any retailer, the retail agent shall promptly notify the
34 director. Nothing in this section shall require a wholesaler to sell malt
35 beverages to a registered retail agent for distribution to other retailers.

36 B. A fee of five dollars shall be collected for each registered
37 retailer in this state, and a fee of fifty dollars for each registered agent
38 for a distillery, winery, brewery, importer or broker having its place of
39 manufacture or business outside of the state.

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

43 Sec. 22. Section 4-226, Arizona Revised Statutes, is amended to read:

44 4-226. Exemptions

45 The provisions of this title do not apply to:

1 1. Drugstores selling spirituous liquors only ~~upon~~ ON prescription.
2 2. Any confectionery candy containing less than five per cent by
3 weight of alcohol.
4 3. Ethyl alcohol intended for use or used for the following purposes:
5 (a) Scientific, chemical, mechanical, industrial and medicinal
6 purposes. ~~FOR THE PURPOSES OF THIS PARAGRAPH, MEDICINAL PURPOSES DOES NOT~~
7 ~~INCLUDE ETHYL ALCOHOL OR SPIRITUOUS LIQUOR THAT CONTAINS MARIJUANA OR USEABLE~~
8 ~~MARIJUANA AS DEFINED IN SECTION 36-2801.~~
9 (b) Use by those authorized to procure spirituous liquor or ethyl
10 alcohol tax-free, as provided by the acts of Congress and regulations
11 promulgated thereunder.
12 (c) In the manufacture of denatured alcohol produced and used as
13 provided by the acts of Congress and regulations promulgated thereunder.
14 (d) In the manufacture of patented, patent, proprietary, medicinal,
15 pharmaceutical, antiseptic, toilet, scientific, chemical, mechanical and
16 industrial preparations or products, unfit and not used for beverage
17 purposes.
18 (e) In the manufacture of flavoring extracts and syrups unfit for
19 beverage purposes.
20 4. The purchase, storage, distribution, service or consumption of wine
21 in connection with the bona fide practice of a religious belief or as an
22 integral part of a religious exercise by a church recognized by the United
23 States internal revenue service under section 501(c)(3) of the internal
24 revenue code and in a manner not dangerous to public health or safety. This
25 exemption does not apply to any alleged violation of section 4-244, paragraph
26 9, 34, 35 or 41.
27 5. ~~BEER PRODUCED FOR PERSONAL OR FAMILY USE THAT IS NOT FOR SALE. THE~~
28 ~~BEER MAY BE REMOVED FROM THE PREMISES WHERE IT WAS MADE AND EXHIBITED AT~~
29 ~~ORGANIZED AFFAIRS, EXHIBITIONS OR COMPETITIONS SUCH AS HOMEBREWER'S CONTESTS,~~
30 ~~TASTING OR JUDGING.~~
31 Sec. 23. Section 4-227, Arizona Revised Statutes, is amended to read:
32 ~~4-227. Qualified retail cooperatives; pricing; definitions~~
33 A. ~~Subject to subsection B of this section,~~ A wholesaler shall sell
34 its product to a qualified retail cooperative ~~AT PRICES ESTABLISHED BY THE~~
35 ~~QUANTITY OF SPIRITUOUS LIQUOR BEING PURCHASED. without regard to the volume~~
36 ~~of the product purchased by the cooperative at the lowest price at which the~~
37 ~~wholesaler sells the product to any other retail licensee at or near the~~
38 ~~location of the cooperative.~~
39 ~~B. The provisions of subsection A of this section shall apply only to~~
40 ~~a purchase by a retail cooperative of fifty cases or more of a product on a~~
41 ~~single occasion.~~
42 ~~C.~~ B. As used in this section:
43 1. "Product" means a particular brand of spirituous liquor in a
44 designated size container or a mix of brands and containers when sold on a

1 combined basis established by the wholesaler ~~which~~ THAT is offered on
2 quantity discount terms established by the wholesaler.

3 2. "Qualified retail cooperative" means a retail cooperative of ~~twenty~~
4 TWO retail licensees ~~or more established pursuant to section 4-222~~.

5 Sec. 24. Title 4, chapter 2, article 2, Arizona Revised Statutes, is
6 amended by adding section 4-227.01, to read:

7 4-227.01. Channel pricing

8 A. THE WHOLESALER MAY EMPLOY CHANNEL PRICING TO SELL ITS PRODUCT TO
9 ON-SALE LICENSEES AT A DIFFERENT PRICE THAN THE WHOLESALER SELLS ITS PRODUCT
10 TO OFF-SALE LICENSEES. ALL CHANNEL PRICING DISCOUNTS MUST BE:

11 1. BASED ON THE VOLUME OF THE PRODUCT DELIVERED WITHIN A TWENTY-FOUR
12 HOUR PERIOD.

13 2. MADE EQUALLY AVAILABLE TO EACH RETAILER IN THAT RETAILER'S CHANNEL.

14 B. FOR THE PURPOSES OF THIS SECTION, "PRODUCT" MEANS A PARTICULAR
15 BRAND OF SPIRITUOUS LIQUOR IN A DESIGNATED SIZE CONTAINER OR A MIX OF BRANDS
16 AND CONTAINERS WHEN SOLD ON A COMBINED BASIS AS ESTABLISHED BY THE WHOLESALER
17 THAT IS OFFERED IN QUANTITY DISCOUNT TERMS ESTABLISHED BY THE WHOLESALER.

18 Sec. 25. Section 4-229, Arizona Revised Statutes, is amended to read:

19 4-229. Licenses; handguns; posting of notice

20 A. A person ~~with a permit issued pursuant to section 13-3112~~ may carry
21 a concealed handgun on the premises of a licensee who is an on-sale retailer
22 unless the licensee posts a sign that clearly prohibits the possession of
23 weapons on the licensed premises. The sign shall conform to the following
24 requirements:

25 1. Be posted in a conspicuous location accessible to the general
26 public and immediately adjacent to the liquor license posted on the licensed
27 premises.

28 2. Contain a pictogram that shows a firearm within a red circle and a
29 diagonal red line across the firearm.

30 3. Contain the words, "no firearms allowed pursuant to A.R.S. section
31 4-229".

32 B. A person shall not carry a firearm on the licensed premises of an
33 on-sale retailer if the licensee has posted the notice prescribed in
34 subsection A of this section.

35 C. It is an affirmative defense to a violation of subsection B of this
36 section if:

37 1. The person was not informed of the notice prescribed in
38 subsection A of this section before the violation.

39 2. Any one or more of the following apply:

40 (a) At the time of the violation the notice prescribed in subsection A
41 of this section had fallen down.

42 (b) At the time of the violation the person was not a resident of this
43 state.

44 (c) The licensee had posted the notice prescribed in subsection A of
45 this section not more than thirty days before the violation.

1 D. The department of liquor licenses and control shall prepare the
2 signs required by this section and make them available at no cost to
3 licensees.

4 E. The signs required by this section shall be composed of block,
5 capital letters printed in black on white laminated paper at a minimum weight
6 of one hundred ten pound index. The lettering and pictogram shall consume a
7 space at least six inches by nine inches. The letters ~~comprising~~
8 ~~CONSTITUTING~~ the words "no firearms allowed" shall be at least three-fourths
9 of a vertical inch and all other letters shall be at least one-half of a
10 vertical inch. Nothing shall prohibit a licensee from posting additional
11 signs at one or more locations on the premises.

12 F. This section does not prohibit a person who possesses a handgun
13 from entering the licensed premises for a limited time for the specific
14 purpose of either:

- 15 1. Seeking emergency aid.
- 16 2. Determining whether a sign has been posted pursuant to subsection A
17 of this section.

18 Sec. 26. Section 4-241, Arizona Revised Statutes, is amended to read:

19 ~~4-241.~~ Selling or giving liquor to underage person; illegally
20 obtaining liquor by underage person; violation;
21 classification; definitions

22 A. If a licensee, an employee of the licensee or any other person
23 questions or has reason to question that the person ordering, purchasing,
24 attempting to purchase or otherwise procuring or attempting to procure the
25 serving or delivery of spirituous liquor or entering a portion of a licensed
26 premises when the primary use is the sale or service of spirituous liquor is
27 under the legal drinking age, the licensee, employee of the licensee or other
28 person shall do all of the following:

- 29 1. Demand identification from the person.
- 30 2. Examine the identification to determine that the identification
31 reasonably appears to be a valid, unaltered identification that has not been
32 defaced.
- 33 3. Examine the photograph in the identification and determine that the
34 person reasonably appears to be the same person in the identification.
- 35 4. Determine that the date of birth in the identification indicates
36 the person is not under the legal drinking age.

37 B. A licensee or an employee of the licensee who follows the
38 procedures prescribed in subsection A of this section and who records and
39 retains a record of the person's identification on this particular visit is
40 not in violation of subsection J of this section or section 4-244, paragraph
41 9 or 22. This defense applies to actions of the licensee and all employees
42 of the licensee after the procedure has been employed during the particular
43 visit to the licensed premises by the person. A licensee or an employee of
44 the licensee is not required to demand and examine identification of a person
45 pursuant to subsection A of this section if, during this visit to the

1 licensed premises by the person, the licensee or any employee of the licensee
2 has previously followed the procedure prescribed in subsection A of this
3 section.

4 C. Proof that the licensee or employee followed the entire procedure
5 prescribed in subsection A of this section but did not record and retain a
6 record as prescribed in subsection B of this section is an affirmative
7 defense to a criminal charge under subsection J of this section or under
8 section 4-244, paragraph 9 or 22 or a disciplinary action under section 4-210
9 for a violation of subsection J of this section or section 4-244, paragraph 9
10 or 22. This defense applies to actions of the licensee and all employees of
11 the licensee after the procedure has been employed during the particular
12 visit to the licensed premises by the person.

13 D. A licensee or an employee who has not recorded and retained a
14 record of the identification prescribed by subsection B of this section is
15 presumed not to have followed any of the elements prescribed in subsection A
16 of this section.

17 E. For THE purposes of section 4-244, paragraph 22, a licensee or an
18 employee who has not recorded and retained a record of the identification
19 prescribed by subsection B of this section is presumed to know that the
20 person entering or attempting to enter a portion of a licensed premises when
21 the primary use is the sale or service of spirituous liquor is under the
22 legal drinking age.

23 F. It is a defense to a violation of subsection A of this section if
24 the person ordering, purchasing, attempting to purchase or otherwise
25 procuring or attempting to procure the serving or delivery of spirituous
26 liquor or to enter a portion of a licensed premises when the primary use is
27 the sale or service of spirituous liquor is not under the legal drinking age.

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

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

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

36 1. A writing containing the type of identification, the date of
37 issuance of the identification, the name on the identification, the date of
38 birth on the identification and the signature of the person.

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

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

42 4. A photograph of the identification.

43 5. A digital copy of the identification.

44 J. An off-sale retail licensee or employee of an off-sale retail
45 licensee shall require an instrument of identification from any customer who

1 appears to be under twenty-seven years of age and who is using a
2 drive-through or other physical feature of the licensed premises that allows
3 a customer to purchase spirituous liquor without leaving the customer's
4 vehicle.

5 K. The following written instruments are the only acceptable types of
6 identification:

7 1. An unexpired driver license issued by any state, THE DISTRICT OF
8 COLUMBIA, ANY TERRITORY OF THE UNITED STATES or Canada if the license
9 includes a picture of the licensee AND THE PERSON'S DATE OF BIRTH. A DRIVER
10 LICENSE ISSUED TO A PERSON WHO IS UNDER TWENTY-ONE YEARS OF AGE IS NO LONGER
11 AN ACCEPTABLE TYPE OF IDENTIFICATION UNDER THIS PARAGRAPH THIRTY DAYS AFTER
12 THE PERSON TURNS TWENTY-ONE YEARS OF AGE.

13 2. ~~A~~ AN UNEXPIRED nonoperating identification license issued pursuant
14 to section 28-3165 or an equivalent form of identification license issued by
15 any state, THE DISTRICT OF COLUMBIA, ANY TERRITORY OF THE UNITED STATES or
16 Canada if the license includes a picture of the person and the person's date
17 of birth. AN UNEXPIRED NONOPERATING LICENSE ISSUED TO A PERSON WHO IS UNDER
18 TWENTY-ONE YEARS OF AGE IS NO LONGER AN ACCEPTABLE TYPE OF IDENTIFICATION
19 UNDER THIS PARAGRAPH THIRTY DAYS AFTER THE PERSON TURNS TWENTY-ONE YEARS OF
20 AGE.

21 3. An UNEXPIRED armed forces identification card THAT INCLUDES THE
22 PERSON'S PICTURE AND DATE OF BIRTH.

23 4. A valid unexpired passport or ~~border crossing identification A~~
24 ~~VALID UNEXPIRED RESIDENT ALIEN~~ card that ~~is issued by a government or a voter~~
25 ~~card that is issued by the government of Mexico if the passport or card~~
26 contains a photograph of the person and the person's date of birth.

27 L. A person who is under the legal drinking age and who misrepresents
28 the person's age to any person by means of a written instrument of
29 identification with the intent to induce a person to sell, serve, give or
30 furnish spirituous liquor contrary to law is guilty of a class 1 misdemeanor.

31 M. A person who is under the legal drinking age and who solicits
32 another person to purchase, sell, give, serve or furnish spirituous liquor
33 contrary to law is guilty of a class 3 misdemeanor.

34 N. A person who is under the legal drinking age and who uses a
35 fraudulent or false written instrument of identification or identification of
36 another person or uses a valid license or identification of another person to
37 gain access to a licensed establishment is guilty of a class 1 misdemeanor.

38 O. A person who uses a driver or nonoperating identification license
39 in violation of subsection L or N of this section is subject to suspension of
40 the driver or nonoperating identification license as provided in section
41 28-3309. A person who does not have a valid driver or nonoperating
42 identification license and who uses a driver or nonoperating identification
43 license of another in violation of subsection C or E of this section has the
44 person's right to apply for a driver or nonoperating identification license
45 suspended as provided by section 28-3309.

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

14 Q. A person who is of legal drinking age and who is an occupant of
15 unlicensed premises is guilty of a class 1 misdemeanor if both of the
16 following apply:

17 1. ~~Such~~ THE person knowingly allows a gathering on such unlicensed
18 premises of two or more persons who are under the legal drinking age and who
19 are neither:

20 (a) Members of the immediate family of such person.

21 (b) Permanently residing with ~~such~~ THE person.

22 2. ~~Such~~ THE person knows or should know that one or more of the
23 persons under the legal drinking age is in possession of or consuming
24 spirituous liquor on the unlicensed premises.

25 R. For the purposes of subsection Q of this section, "occupant" means
26 a person who has legal possession or the legal right to exclude others from
27 the unlicensed premises.

28 S. A peace officer shall forward or electronically transfer to the
29 director of the department of transportation the affidavit required by
30 section 28-3310 if the peace officer has arrested a person for the commission
31 of an offense for which, on conviction, suspension of the license or
32 privilege to operate a motor vehicle is required by section 28-3309,
33 subsection A, B or D, or if the peace officer has confiscated a false
34 identification document used by the person to gain access to licensed
35 premises.

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

38 U. Law enforcement agencies may use persons who are under the legal
39 drinking age to test compliance with this section and section 4-244,
40 paragraph 9 by a licensee if the law enforcement agency has reasonable
41 suspicion that the licensee is violating this section or section 4-244,
42 paragraph 9. A person who is under the legal drinking age and who purchases
43 or attempts to purchase spirituous liquor under the direction of a law
44 enforcement agency pursuant to this subsection is immune from prosecution for

1 that purchase or attempted purchase. Law enforcement agencies may use a
2 person under the legal drinking age pursuant to this subsection only if:

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

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

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

8 4. A photograph of the person is taken no more than twelve hours
9 before the purchase or attempted purchase. The photograph shall accurately
10 depict the person's appearance and attire. A licensee or an employee of a
11 licensee who is cited for selling spirituous liquor to a person under the
12 legal drinking age pursuant to this subsection shall be permitted to inspect
13 the photograph immediately after the citation is issued. The person's
14 appearance at any trial or administrative hearing that results from a
15 citation shall not be substantially different from the person's appearance at
16 the time the citation was issued.

17 5. The person places, receives and pays for the person's order of
18 spirituous liquor. An adult shall not accompany the person onto the premises
19 of the licensee.

20 6. The person does not consume any spirituous liquor.

21 V. The department may adopt rules to carry out the purposes of this
22 section.

23 Sec. 27. Section 4-242, Arizona Revised Statutes, is amended to read:

24 4-242. Sale of liquor on credit prohibited; exceptions

25 A. It is unlawful for a RETAIL licensee, or an employee or agent of a
26 licensee, to sell or offer to sell, directly or indirectly, or to sanction
27 the sale on credit of spirituous liquor TO A RETAILER'S CUSTOMER, or to give,
28 lend or advance money or anything of value TO A RETAIL CUSTOMER for the
29 purpose of purchasing or bartering for spirituous liquor, except that sales
30 of spirituous liquor consumed on the RETAIL licensed premises may be included
31 on bills rendered to registered guests in hotels and motels, and spirituous
32 liquor sales for on or off premises consumption may be made with credit cards
33 approved by the director, and sales of spirituous liquor consumed on the
34 premises of private clubs may be included on bills rendered to bona fide
35 members.

36 B. ANY WHOLESALER OR PRODUCER MAY ENGAGE IN CREDIT TRANSACTIONS WITH
37 ANY OTHER WHOLESALER OR PRODUCER.

38 Sec. 28. Section 4-243, Arizona Revised Statutes, is amended to read:

39 4-243. Commercial coercion or bribery unlawful; exceptions

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

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

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

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

7 4. To furnish, give, rent, lend or sell to the retailer equipment,
8 fixtures, signs, supplies, money, services or other things of value, subject
9 to such exception as the rules adopted pursuant to this title may prescribe,
10 having regard for established trade customs and the purposes of this
11 subsection.

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

15 6. To guarantee a loan or repayment of a financial obligation of the
16 retailer.

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

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

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

22 B. This section does not prohibit any distiller, vintner, brewer,
23 rectifier, blender or other producer or wholesaler of any spirituous liquor
24 from:

25 1. Giving financial and other forms of event sponsorship assistance to
26 nonprofit or charitable organizations for purposes of charitable fund-raising
27 ~~which~~ THAT are issued special event licenses by the department. This section
28 does not prohibit ~~such~~ suppliers from advertising their sponsorship at such
29 special events.

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

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

34 (b) Sampling shall be limited to twelve ounces of beer or cooler
35 products, six ounces of wine or two ounces of distilled spirits per person
36 per brand.

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

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

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

1 (f) All sampling procedures shall comply with federal sampling laws
2 and regulations.

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

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

7 (b) The producer or wholesaler shall notify the department in writing
8 or by electronic means not less than ten days before the sampling of the
9 date, time and location of the sampling AND OF THE NAME OF THE WHOLESALER OR
10 PRODUCER DISTRIBUTING THE PRODUCT.

11 (c) Sampling shall be limited to three ounces of beer, one and
12 one-half ounces of wine or one ounce of distilled spirits per person per day
13 FOR CONSUMPTION ON THE PREMISES AND UP TO SEVENTY-TWO OUNCES OF BEER AND TWO
14 OUNCES OF DISTILLED SPIRITS PER PERSON PER DAY FOR CONSUMPTION OFF THE
15 PREMISES.

16 (d) An off-sale retailer shall not permit sampling to be conducted on
17 a licensed premises on more than twelve days in any calendar year PER
18 WHOLESALER OR PRODUCER.

19 (e) Sampling shall be limited to one wholesaler or producer at any one
20 off-sale retailer's premises on any day and shall not exceed three hours on
21 any day.

22 (f) A producer conducting sampling shall buy the sampled product from
23 a wholesaler.

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

26 (h) The producer or wholesaler shall designate an area in which
27 sampling is conducted that is in the portion of the licensed premises where
28 spirituous liquor is primarily displayed and separated from the remainder of
29 the off-sale retailer's premises by a wall, rope, door, cable, cord, chain,
30 fence or other barrier. The producer or wholesaler shall not permit persons
31 under the legal drinking age from entering the area in which sampling is
32 conducted.

33 (i) The producer or wholesaler may not provide samples to the retailer
34 or the retailer's employees.

35 (j) Sampling shall not be conducted in retail premises with a total of
36 under five thousand square feet of retail space unless at least seventy-five
37 per cent of the retailer's shelf space is dedicated to the sale of spirituous
38 liquor.

39 (k) The producer or wholesaler may not give spirituous liquor or any
40 other gifts or benefits to the off-sale retailer.

41 (l) All sampling procedures shall comply with federal sampling laws
42 and regulations.

43 C. Notwithstanding subsection A, paragraph 4 OF THIS SECTION, any
44 wholesaler of any spirituous liquor may sell tobacco products or foodstuffs
45 to a retailer at a price not less than the cost to the wholesaler.

1 D. Notwithstanding subsection A, paragraph 4, and subsection B,
2 paragraph 2, subdivision (e) ~~OF THIS SECTION~~, any wholesaler may furnish
3 without cost promotional items to an on-sale retailer, except that the total
4 market value of the promotional items furnished by that wholesaler to that
5 retailer in any calendar year shall not exceed five hundred dollars. For the
6 purposes of this subsection, "promotional items" means items of equipment,
7 supplies, novelties or other advertising specialties that conspicuously
8 display the brand name of a spirituous liquor product. Promotional items do
9 not include signs.

10 E. It is unlawful for a retailer to request ~~and~~ OR knowingly receive
11 anything of value that a distiller, vintner, brewer, rectifier or blender or
12 any other producer or wholesaler is prohibited by subsection A or D ~~OF THIS~~
13 ~~SECTION~~ from furnishing to a retailer, except that this subsection shall not
14 prohibit special discounts provided to retailers and based on quantity
15 purchases.

16 Sec. 29. Section 4-243.01, Arizona Revised Statutes, is amended to
17 read:

18 4-243.01. Purchasing from other than primary source of supply
19 unlawful; definitions

20 A. It is unlawful:

21 1. For any supplier to solicit, accept or fill any order for any
22 spirituous liquor from any wholesaler in this state unless the supplier is
23 the primary source of supply for the brand of spirituous liquor sold or
24 sought to be sold and is duly licensed by the board.

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

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

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

34 (b) A wholesaler ~~who~~ THAT is the designated representative of the
35 primary source of supply in this state and ~~who~~ THAT has purchased such
36 spirituous liquor from the designated representative of the primary source of
37 supply within or without this state.

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

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

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

42 B. All spirituous liquor shipped into this state shall be invoiced to
43 the wholesaler by the primary source of supply. All spirituous liquor shall
44 be unloaded and remain at the wholesaler's premises for at least twenty-four

1 hours. A copy of each invoice shall be transmitted by the wholesaler and the
2 primary source of supply to the department of revenue.

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

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

9 E. For the purposes of this section:

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

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

20 Sec. 30. Section 4-244, Arizona Revised Statutes, is amended to read:

21 4-244. Unlawful acts

22 It is unlawful:

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

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

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

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

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

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

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

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

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

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

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

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

39 13. For an employee of a retail licensee, during that employee's
40 working hours or in connection with such employment, to give to or purchase
41 for any other person, accept a gift of, purchase for himself or consume
42 spirituous liquor, except that:

43 (a) An employee of a licensee, during that employee's working hours or
44 in connection with the employment, while the employee is not engaged in

1 waiting on or serving customers, may give spirituous liquor to or purchase
2 spirituous liquor for any other person.

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

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

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

21 (e) An unpaid volunteer of a special event licensee under section
22 4-203.02 may purchase and consume spirituous liquor while not engaged in
23 waiting on or serving spirituous liquor to customers at the special event.
24 This subdivision does not apply to an unpaid volunteer whose responsibilities
25 include verification of a person's legal drinking age, security or the
26 operation of any vehicle or heavy machinery.

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

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

44 16. For a licensee or employee to knowingly permit any person on or
45 about the licensed premises to give or furnish any spirituous liquor to any

1 person under twenty-one years of age or knowingly permit any person under
2 twenty-one years of age to have in the person's possession spirituous liquor
3 on the licensed premises.

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

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

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

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

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

33 22. For an on-sale retailer or employee to allow a person under the
34 legal drinking age to remain in an area on the licensed premises during those
35 hours in which its primary use is the sale, dispensing or consumption of
36 alcoholic beverages after the licensee, or the licensee's employees, know or
37 should have known that the person is under the legal drinking age. An
38 on-sale retailer may designate an area of the licensed premises as an area in
39 which spirituous liquor will not be sold or consumed for the purpose of
40 allowing underage persons on the premises if the designated area is separated
41 by a physical barrier and at no time will underage persons have access to the
42 area in which spirituous liquor is sold or consumed. A licensee or an
43 employee of a licensee may require a person who intends to enter a licensed
44 premises or a portion of a licensed premises where persons under the legal
45 drinking age are prohibited under this section to exhibit a written

1 instrument of identification that is acceptable under section 4-241 as a
2 condition of entry. The director, or a municipality, may adopt rules to
3 regulate the presence of underage persons on licensed premises provided the
4 rules adopted by a municipality are more stringent than those adopted by the
5 director. The rules adopted by the municipality shall be adopted by local
6 ordinance and shall not interfere with the licensee's ability to comply with
7 this paragraph. This paragraph does not apply:

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

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

14 (i) An active duty military service member.

15 (ii) A veteran.

16 (iii) A member of the United States army national guard or the United
17 States air national guard.

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

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

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

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

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

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

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

41 26. For a licensee or employee to knowingly permit unlawful gambling on
42 the premises.

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

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

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

13 (a) Hotel or motel guest room accommodations.

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

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

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

29 (a) Hotel or motel guest room accommodations.

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

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

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

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

43 (a) A person who removes a bottle of wine which has been partially
44 consumed in conjunction with a purchased meal from licensed premises if a

1 cork is inserted flush with the top of the bottle or the bottle is otherwise
2 securely closed.

3 (b) A person who is in licensed premises that have noncontiguous
4 portions that are separated by a public or private walkway or driveway and
5 who takes spirituous liquor from one portion of the licensed premises across
6 the public or private walkway or driveway directly to the other portion of
7 the licensed premises.

8 (c) A bar, beer and wine bar, liquor store, beer and wine store or
9 ~~domestic~~ microbrewery licensee who dispenses beer only in a clean ~~glass~~
10 container COMPOSED OF A MATERIAL APPROVED BY A NATIONAL SANITATION
11 ORGANIZATION with a maximum capacity that does not exceed one gallon and not
12 for consumption on the premises ~~as long as~~ IF:

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

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

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

19 The department shall review the effects of this subdivision and submit a
20 report by July 1, 2015 on the effects of this subdivision to the governor,
21 the speaker of the house of representatives and the president of the senate.
22 The department shall provide a copy of this report to the secretary of state.

23 33. For a person who is obviously intoxicated to buy or attempt to buy
24 spirituous liquor from a licensee or employee of a licensee or to consume
25 spirituous liquor on licensed premises.

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

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

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

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

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

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

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

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

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

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

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

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

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

31 43. For a person to purchase, offer for sale or use any device, machine
32 or process which mixes spirituous liquor with pure oxygen or another gas to
33 produce a vaporized product for the purpose of consumption by inhalation **OR**
34 **TO ALLOW PATRONS TO USE ANY ITEM FOR THE CONSUMPTION OF VAPORIZED SPIRITUOUS**
35 **LIQUOR.**

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

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

1 Sec. 31. Section 4-244.04, Arizona Revised Statutes, is amended to
2 read:

3 4-244.04. Farm winery sampling

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

14 Sec. 32. Section 4-244.05, Arizona Revised Statutes, is amended to
15 read:

16 4-244.05. Unlicensed business establishment or premises;
17 unlawful consumption of spirituous liquor; civil
18 penalty; seizure and forfeiture of property

19 A. A person owning, operating, leasing, managing or controlling a
20 business establishment or business premises which are not properly licensed
21 pursuant to this title and in which any of the following occur shall not
22 allow the consumption of spirituous liquor in the establishment or on the
23 premises:

- 24 1. Food or beverages are sold.
25 2. Entertainment is provided.
26 3. A membership fee or a cover charge for admission is charged.
27 4. A minimum purchase or rental requirement for goods or services is
28 charged.

29 B. A person shall not consume spirituous liquor in a business
30 establishment or on business premises which are not properly licensed
31 pursuant to this title in which food or beverages are sold, entertainment is
32 provided, a membership fee or a cover charge for admission is charged or a
33 minimum purchase or rental requirement for goods or services is charged.

34 C. In addition to or in lieu of other fines or civil penalties imposed
35 for a violation of this section or any other action taken by the board or
36 director, the board or director may conduct a hearing subject to the
37 requirements of section 4-210, subsection G to determine whether a person has
38 violated subsection A of this section. If the board or director determines,
39 after a hearing, that a person has violated subsection A of this section the
40 board or director may impose a civil penalty of not less than two hundred nor
41 more than five thousand dollars for each offense. A civil penalty imposed
42 pursuant to this section by the director may be appealed to the board.

43 D. In addition to any other remedies provided by law, any monies used
44 or obtained in violation of this chapter may be seized by any peace officer

1 if the peace officer has probable cause to believe that the money has been
2 used or is intended to be used in violation of this section.

3 E. In addition to any other remedies provided by law, the records of
4 an establishment that is in violation of this section may be seized by any
5 peace officer if the peace officer has probable cause to believe that the
6 establishment is operating without a valid license issued pursuant to this
7 title.

8 F. In addition to any other remedies provided by law, any amount of
9 alcohol may be seized by any peace officer if the peace officer has probable
10 cause to believe that the alcohol is being used or is intended to be used in
11 violation of this section.

12 G. In addition to any other remedies provided by law, the following
13 property shall be forfeited pursuant to section 13-2314 or title 13,
14 chapter 39:

15 1. All proceeds and other assets that are derived from a violation of
16 this section.

17 2. Anything of value that is used or intended to be used to facilitate
18 a violation of this section.

19 H. A person who obtains property through a violation of this section
20 is deemed to be an involuntary trustee of that property. An involuntary
21 trustee and any other person who obtains the property, except a bona fide
22 purchaser who purchases the property for value without notice of or
23 participation in the unlawful conduct, holds the property, including its
24 proceeds and other assets, in constructive trust for the benefit of the
25 persons entitled to remedies pursuant to section 13-2314 or title 13,
26 chapter 39.

27 I. The board or director may adopt rules authorizing and prescribing
28 limitations for the possession or consumption of spirituous liquor at
29 establishments or premises falling within the scope of subsections A and B of
30 this section. Rules adopted pursuant to this subsection shall authorize the
31 possession or consumption of spirituous liquor only at establishments or
32 premises which permit the consumption or possession of minimal amounts of
33 spirituous liquor and which meet both of the following criteria:

34 1. The possession or consumption of spirituous liquor is permitted
35 only as an incidental convenience to the customers of the establishment or
36 premises.

37 2. The possession or consumption of spirituous liquor is permitted
38 only within the hours of lawful sale as prescribed in this title, and is
39 limited to no more than ten hours per day.

40 J. Any rules adopted pursuant to subsection I of this section shall
41 prescribe:

42 1. The maximum permitted occupancy of an establishment or premises.

43 2. The hours during which spirituous liquor may be possessed or
44 consumed.

1 3. The amount of spirituous liquor that a person may possess or
2 consume.

3 4. That the director, the director's agents and any peace officer
4 empowered to enforce the provisions of this title, in enforcing the
5 provisions of this title, may visit and inspect the establishment or premises
6 during the business hours of the premises or establishment. ~~Until January 1,~~
7 ~~2015,~~ The director may charge a fee for the inspection of unlicensed premises
8 to review an application for exemption pursuant to this section.

9 K. Any rules adopted pursuant to subsection I of this section may
10 prescribe separate classifications of establishments or premises at which
11 spirituous liquor may be possessed or consumed and may establish any other
12 provisions relating to the possession or consumption of spirituous liquor at
13 establishments or premises falling within the scope of subsections A and B of
14 this section which are necessary to maintain the health and welfare of the
15 community.

16 L. This section does not apply to establishments or premises that are
17 not licensed pursuant to this title and on which occurs the consumption of
18 spirituous liquor if the establishment or premises are owned, operated,
19 leased, managed or controlled by the United States, this state or a city or
20 county of this state.

21 Sec. 33. Section 4-250.01, Arizona Revised Statutes, is amended to
22 read:

23 4-250.01. Out-of-state person engaged in business as producer,
24 exporter, importer or rectifier; violation; cease
25 and desist order; civil penalty

26 A. An out-of-state person engaged in business as a producer, exporter,
27 importer or rectifier shall comply with this title as if licensed by this
28 state. An out-of-state person engaged in business as a producer, exporter,
29 importer or rectifier who violates this title is subject to a fine or a civil
30 penalty and suspension or revocation of the right to do business in this
31 state.

32 B. If the director has reasonable cause to believe that an
33 out-of-state person engaged in business as a producer, exporter, importer or
34 rectifier is acting in violation of this title, the director may serve a
35 cease and desist order requiring the person to cease and desist the
36 violation.

37 C. The director may impose a civil penalty ~~not to exceed~~ UP TO one
38 hundred fifty thousand dollars PER VIOLATION against an out-of-state person
39 WHO IS engaged in business as a producer, exporter, importer or rectifier AND
40 who knowingly violates a cease and desist order issued by the director
41 pursuant to subsection B OF THIS SECTION.

42 Sec. 34. Section 42-3001, Arizona Revised Statutes, is amended to
43 read:

44 42-3001. Definitions

45 In this chapter, unless the context otherwise requires:

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

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

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

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

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

14 (b) Any roll of tobacco wrapped in any substance containing tobacco
15 that, because of its appearance, the type of tobacco used in the filler or
16 its packaging and labeling, is likely to be offered to or purchased by a
17 consumer as a cigarette described in subdivision (a) of this paragraph. This
18 subdivision shall be interpreted consistently with the classification
19 guidelines established by the federal alcohol and tobacco tax and trade
20 bureau.

21 5. "Cigarette distributor" means a distributor of cigarettes without
22 stamps affixed as required by this article who is required to be licensed
23 under section 42-3201. Cigarette distributor does not include a retailer or
24 any person who holds a permit as a cigarette manufacturer, export warehouse
25 proprietor or importer under 26 United States Code section 5712 if the person
26 sells or distributes cigarettes in this state only to licensed cigarette
27 distributors or to another person who holds a permit under 26 United States
28 Code section 5712 as an export warehouse proprietor or manufacturer.

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

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

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

39 9. "CRAFT DISTILLER" MEANS A DISTILLER IN THE UNITED STATES OR IN A
40 TERRITORY OR POSSESSION OF THE UNITED STATES THAT HOLDS A LICENSE PURSUANT TO
41 SECTION 4-205.10.

42 ~~9.~~ 10. "Distributor" means any person who manufactures, produces,
43 ships, transports or imports into this state or in any manner acquires or
44 possesses for the purpose of making the first sale of the following:

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

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

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

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

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

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

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

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

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

(b) Medicines that are unsuitable for beverage purposes.

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

~~15.~~ 16. "Person" means any individual, firm, partnership, joint venture, association, corporation, municipal corporation, estate, trust, club, society or other group or combination acting as a unit, and the plural as well as the singular number.

~~16.~~ 17. "Retailer" means any person ~~who~~ THAT comes into possession of any luxury subject to the taxes imposed by this chapter for the purpose of selling it for consumption and not for resale.

~~17.~~ 18. "Spirituous liquor" means any liquid that contains more than one-half of one per cent alcohol by volume, that is produced by distillation of any fermented substance and that is used or prepared for use as a beverage. Spirituous liquor does not include medicines that are unsuitable for beverage purposes.

~~18.~~ 19. "Tobacco products" means all luxuries included in section 42-3052, paragraphs 5 through 9, ~~except that for the purposes of article 5.1 of this chapter tobacco products has the same meaning prescribed in section 42-3221.~~

~~19.~~ 20. "Vinous liquor" means any liquid that contains more than one-half of one per cent alcohol by volume and that is made by the process of fermentation of grapes, berries, fruits, vegetables or other substances but does not include:

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

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

(c) Medicines that are unsuitable for beverage purposes.

~~20.~~ 21. "Wholesaler" means a person ~~who~~ THAT sells any spirituous, vinous or malt liquor taxed under this chapter to retail dealers or for the purposes of resale only.

1 Sec. 35. Section 42-3355, Arizona Revised Statutes, is amended to
2 read:

3 42-3355. Return and payment by farm wineries, microbreweries
4 and craft distillers

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

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

17 C. EVERY CRAFT DISTILLER SELLING A SPIRITUOUS LIQUOR AT RETAIL OR TO A
18 RETAIL LICENSEE PURSUANT TO TITLE 4, CHAPTER 2, MANUFACTURED OR PRODUCED ON
19 THE PREMISES OR A DISTILLER OF SPIRITUOUS LIQUOR THAT SELLS AT RETAIL
20 PURSUANT TO SECTION 4-243.02 SHALL PAY THE TAX UNDER THIS CHAPTER ON ALL
21 SPIRITUOUS LIQUOR SOLD AT RETAIL OR TO A RETAIL LICENSEE WITHIN THIS STATE
22 AND ADD THE AMOUNT OF THE TAX TO THE SALES PRICE.

23 ~~C.~~ D. The ~~domestic~~ farm winery, manufacturer, ~~or domestic~~
24 microbrewery OR CRAFT DISTILLER shall pay the tax to the department monthly
25 on or before the twentieth day of the month next succeeding the month in
26 which the tax accrues.

27 ~~D.~~ E. On or before that date the ~~domestic~~ farm winery, manufacturer,
28 ~~or domestic~~ microbrewery OR CRAFT DISTILLER shall prepare a sworn return for
29 the month in which the tax accrues in the form prescribed by the department,
30 showing:

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

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

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

36 ~~E.~~ F. The ~~domestic~~ farm winery, manufacturer, ~~or domestic~~
37 microbrewery OR CRAFT DISTILLER shall deliver the return, together with a
38 remittance of the amount of the tax due, to the department.

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

1 Sec. 36. Section 42-3356, Arizona Revised Statutes, is amended to
2 read:

3 42-3356. Bonds required of farm wineries; exemption

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

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

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

23 Sec. 37. Existing domestic farm winery licenses; temporary
24 exemption; other existing licenses

25 A. Notwithstanding section 4-205.04, Arizona Revised Statutes, as
26 amended by this act, holders of domestic farm winery licenses in this state
27 on the effective date of this act that do not qualify under the new statutory
28 requirements established in this act may continue to operate under the
29 licenses previously issued, without any expansion of operations, until
30 January 1, 2019.

31 B. Notwithstanding section 4-205.04, Arizona Revised Statutes, as
32 amended by this act, holders of domestic farm winery licenses that also hold
33 beer and wine bar licenses and beer and wine store licenses that were issued
34 before January 1, 2014 may also hold beer and wine bar licenses and beer and
35 wine store licenses issued at the site of the winery before January 1, 2014.

36 Sec. 38. Severability

37 If a provision of this act or its application to any person or
38 circumstances is held invalid by a final, nonappealable decision of a court
39 of competent jurisdiction, the invalidity does not affect other provisions or
40 applications of the act that can be given effect without the invalid
41 provision or application, and to this end the provisions of this act are
42 severable.