

State of Arizona
Senate
Fifty-second Legislature
Second Regular Session
2016

CHAPTER 161
SENATE BILL 1373

AN ACT

AMENDING SECTIONS 4-101, 4-202, 4-203, 4-205.02, 4-205.03, 4-205.04, 4-205.05, 4-206.01, 4-207, 4-209, 4-227, 4-227.01, 4-243, 4-244 AND 4-251, ARIZONA REVISED STATUTES; RELATING TO 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 that has been chartered by the
40 Congress of the United States for patriotic, fraternal or benevolent purposes
41 and that has, as the owner, lessee or occupant, operated an establishment for
42 that purpose in this state.

43 (b) A chapter, aerie, parlor, lodge or other local unit of an American
44 national fraternal organization that has, as the owner, lessee or occupant,
45 operated an establishment for fraternal purposes in this state. An American
46 national fraternal organization as used in this subdivision shall actively

1 operate in not less than thirty-six states or have been in active continuous
2 existence for not less than twenty years.

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

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

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

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

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

37 9. "Control" means the power to direct or cause the direction of the
38 management and policies of an applicant, licensee or controlling person,
39 whether through the ownership of voting securities or a partnership interest,
40 by agreement or otherwise. Control is presumed to exist if a person has the
41 direct or indirect ownership of or power to vote ten ~~per-cent~~ PERCENT or more
42 of the outstanding voting securities of the applicant, licensee or
43 controlling person or to control in any manner the election of one or more of
44 the directors of the applicant, licensee or controlling person. In the case
45 of a partnership, control is presumed to mean the general partner or a
46 limited partner who holds ten ~~per-cent~~ PERCENT or more of the voting rights

1 of the partnership. For the purposes of determining the percentage of voting
2 securities owned, controlled or held by a person, there shall be aggregated
3 with the voting securities attributed to the person the voting securities of
4 any other person directly or indirectly controlling, controlled by or under
5 common control with the other person, or by an officer, partner, employee or
6 agent of the person or by a spouse, parent or child of the person. Control
7 is also presumed to exist if a creditor of the applicant, licensee or
8 controlling person holds a beneficial interest in ten ~~per-cent~~ PERCENT or
9 more of the liabilities of the licensee or controlling person. THE
10 PRESUMPTIONS IN THIS PARAGRAPH REGARDING CONTROL ARE REBUTTABLE.

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

13 11. "Craft distiller" means a distiller in the United States or in a
14 territory or possession of the United States that holds a license pursuant to
15 section 4-205.10.

16 12. "Department" means the department of liquor licenses and control.

17 13. "Director" means the director of the department of liquor licenses
18 and control.

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

25 15. "Employee" means any person who performs any service on licensed
26 premises on a full-time, part-time or contract basis with consent of the
27 licensee, whether or not the person is denominated an employee, independent
28 contractor or otherwise. Employee does not include a person exclusively on
29 the premises for musical or vocal performances, for repair or maintenance of
30 the premises or for the delivery of goods to the licensee.

31 16. "Farm winery" means a winery in the United States or in a territory
32 or possession of the United States that holds a license pursuant to section
33 4-205.04.

34 17. "Government license" means a license to serve and sell spirituous
35 liquor on specified premises available only to a state agency, state board,
36 state commission, county, city, town, community college or state university
37 or the national guard or Arizona coliseum and exposition center on
38 application by the governing body of a state agency, state board, state
39 commission, county, city, town, community college or state university or the
40 national guard or Arizona exposition and state fair board.

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

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

44 20. "License fees" means fees collected for license issuance, license
45 application, license renewal, interim permit issuance and license transfer
46 between persons or locations.

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

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

6 23. "Microbrewery" means a brewery in the United States or in a
7 territory or possession of the United States that meets the requirements of
8 section 4-205.08.

9 24. "Off-sale retailer" means any person operating a bona fide
10 regularly established retail liquor store selling spirituous liquors, wines
11 and beer, and any established retail store selling commodities other than
12 spirituous liquors and engaged in the sale of spirituous liquors only in the
13 original unbroken package, to be taken away from the premises of the retailer
14 and to be consumed off the premises.

15 25. "On-sale retailer" means any person operating an establishment
16 where spirituous liquors are sold in the original container for consumption
17 on or off the premises or in individual portions for consumption on the
18 premises.

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

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

29 28. "Registered mail" includes certified mail.

30 29. "Registered retail agent" means any person who is authorized
31 pursuant to section 4-222 to purchase spirituous liquors for and on behalf of
32 himself and other retail licensees.

33 30. "Repeated acts of violence" means: ~~two or more acts of violence~~
34 ~~occurring within seven days, three or more acts of violence occurring within~~
35 ~~thirty days or acts of violence occurring with any other similar frequency~~
36 ~~which the director determines to be unusual or deserving of review.~~

37 (a) FOR LICENSED PREMISES WITH A PERMANENT OCCUPANCY OF TWO HUNDRED OR
38 FEWER PERSONS, TWO OR MORE ACTS OF VIOLENCE OCCURRING WITHIN SEVEN DAYS OR
39 THREE OR MORE ACTS OF VIOLENCE OCCURRING WITHIN THIRTY DAYS.

40 (b) FOR LICENSED PREMISES WITH A PERMANENT OCCUPANCY OF MORE THAN TWO
41 HUNDRED BUT NOT MORE THAN FOUR HUNDRED PERSONS, FOUR OR MORE ACTS OF VIOLENCE
42 WITHIN THIRTY DAYS.

43 (c) FOR LICENSED PREMISES WITH A PERMANENT OCCUPANCY OF MORE THAN FOUR
44 HUNDRED BUT NOT MORE THAN SIX HUNDRED FIFTY PERSONS, FIVE OR MORE ACTS OF
45 VIOLENCE WITHIN THIRTY DAYS.

1 (d) FOR LICENSED PREMISES WITH A PERMANENT OCCUPANCY OF MORE THAN SIX
2 HUNDRED FIFTY BUT NOT MORE THAN ONE THOUSAND FIFTY PERSONS, SIX OR MORE ACTS
3 OF VIOLENCE WITHIN THIRTY DAYS.

4 (e) FOR LICENSED PREMISES WITH A PERMANENT OCCUPANCY OF MORE THAN ONE
5 THOUSAND FIFTY PERSONS, SEVEN OR MORE ACTS OF VIOLENCE WITHIN THIRTY DAYS.

6 (f) FOR THE PURPOSES OF THIS PARAGRAPH, "PERMANENT OCCUPANCY" MEANS
7 THE MAXIMUM OCCUPANCY OF THE BUILDING OR FACILITY AS SET BY THE FIRE MARSHAL
8 FOR THE JURISDICTION IN WHICH THE BUILDING OR FACILITY IS LOCATED.

9 31. "Sell" includes soliciting or receiving an order for, keeping or
10 exposing for sale, directly or indirectly delivering for value, peddling,
11 keeping with intent to sell and trafficking in.

12 32. "Spirituous liquor" includes alcohol, brandy, whiskey, rum,
13 tequila, mescal, gin, wine, porter, ale, beer, any malt liquor or malt
14 beverage, absinthe, a compound or mixture of any of them or of any of them
15 with any vegetable or other substance, alcohol bitters, bitters containing
16 alcohol, any liquid mixture or preparation, whether patented or otherwise,
17 which produces intoxication, fruits preserved in ardent spirits, and
18 beverages containing more than one-half of one ~~per-cent~~ PERCENT of alcohol by
19 volume.

20 33. "Vehicle" means any means of transportation by land, water or air,
21 and includes everything made use of in any way for such transportation.

22 34. "Vending machine" means a machine that dispenses merchandise
23 through the means of coin, token, credit card or other nonpersonal means of
24 accepting payment for merchandise received.

25 35. "Veteran" means a person who has served in the United States air
26 force, army, navy, marine corps or coast guard, as an active nurse in the
27 services of the American red cross, in the army and navy nurse corps in time
28 of war, or in any expedition of the armed forces of the United States, and
29 who has received a discharge other than dishonorable.

30 36. "Voting security" means any security presently entitling the owner
31 or holder of the security to vote for the election of directors of an
32 applicant, licensee or controlling person.

33 37. "Wine" means the product obtained by the fermentation of grapes, ~~or~~
34 other agricultural products containing natural or added sugar OR CIDER or any
35 such alcoholic beverage fortified with grape brandy and containing not more
36 than twenty-four ~~per-cent~~ PERCENT of alcohol by volume.

37 Sec. 2. Section 4-202, Arizona Revised Statutes, is amended to read:
38 4-202. Qualifications of licensees; application; background
39 information; prior convictions

40 A. Every spirituous liquor licensee, other than a club licensee, a
41 corporation licensee, a limited liability company licensee or an out-of-state
42 licensee, shall be a citizen of the United States and a bona fide resident of
43 this state or a legal resident alien who is a bona fide resident of this
44 state. If a partnership, each partner shall be a citizen of the United
45 States and a bona fide resident of this state or a legal resident alien who
46 is a bona fide resident of this state, except that for a limited partnership

1 an individual general partner is required to meet the qualifications of an
2 individual licensee, a corporate general partner is required to meet the
3 qualifications of a corporate licensee and a limited partner is not required
4 to be a citizen of the United States, a legal resident alien or a bona fide
5 resident of this state. If a corporation or limited liability company, it
6 shall be a domestic corporation or a foreign corporation or a limited
7 liability company that has qualified to do business in this state. A person
8 shall hold a club license, corporation license, limited liability company
9 license, partnership license or out-of-state license through an agent who
10 shall be a natural person and meet the qualifications for licensure, except
11 that an agent for an out-of-state license as specified in section 4-209,
12 subsection B, paragraph 2 need not be a resident of this state. **NOTICE OF**
13 **CHANGE OF AGENT SHALL BE FILED WITH THE DIRECTOR WITHIN THIRTY DAYS AFTER A**
14 **CHANGE.** For the purposes of this subsection, "agent" means a person who is
15 designated by an applicant or licensee to receive communications from the
16 department and to file documents and sign documents for filing with the
17 department on behalf of the applicant or licensee.

18 B. A person shall file an application for a spirituous liquor license
19 on a form prescribed by the director. The director shall require any
20 applicant and may require any controlling person, other than a bank or
21 licensed lending institution, to furnish background information and to submit
22 a full set of fingerprints to the department. The department of liquor
23 licenses and control shall submit the fingerprints to the department of
24 public safety for the purpose of obtaining a state and federal criminal
25 records check pursuant to section 41-1750 and Public Law 92-544. The
26 department of public safety may exchange this fingerprint data with the
27 federal bureau of investigation. If a license is issued or transferred when
28 fees are waived pursuant to section 4-209, subsection I, no additional
29 background check is required if the person has already completed a background
30 investigation in connection with the continuing business.

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

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

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

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

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

16 Sec. 3. Section 4-203, Arizona Revised Statutes, is amended to read:

17 4-203. Licenses; issuance; transfer; reversion to state

18 A. A spirituous liquor license shall be issued only after satisfactory
19 showing of the capability, qualifications and reliability of the applicant
20 and, with the exception of wholesaler, producer, government or club
21 licensees, that the public convenience requires and that the best interest of
22 the community will be substantially served by the issuance. If an
23 application is filed for the issuance of a transferable or nontransferable
24 license, other than for a craft distiller license, a microbrewery license or
25 a farm winery license, for a location that on the date the application is
26 filed has a valid license of the same series, or in the case of a restaurant
27 license application filed for a location with a valid hotel-motel license,
28 issued at that location, there shall be a rebuttable presumption that the
29 public convenience and best interest of the community at that location was
30 established at the time the location was previously licensed. The
31 presumption may be rebutted by competent contrary evidence. The presumption
32 shall not apply once the licensed location has not been in use for more than
33 one hundred eighty days and the presumption shall not extend to the personal
34 qualifications of the applicant.

35 B. The license shall be to manufacture, sell or deal in spirituous
36 liquors only at the place and in the manner provided in the license. A
37 separate license shall be issued for each specific business, and each shall
38 specify:

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

41 2. The place of business for which issued.

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

43 C. A spirituous liquor license issued to a bar, a liquor store or a
44 beer and wine bar shall be transferable as to any permitted location within
45 the same county, provided such transfer meets the requirements of an original
46 application. A spirituous liquor license may be transferred to a person

1 qualified to be a licensee, provided such transfer is pursuant to either
2 judicial decree, nonjudicial foreclosure of a legal or equitable lien,
3 including security interests held by financial institutions pursuant to
4 section 4-205.05, a sale of the license, a bona fide sale of the entire
5 business and stock in trade, or such other bona fide transactions as may be
6 provided for by rule. Any change in ownership of the business of a licensee,
7 directly or indirectly, as defined by rule is deemed a transfer.

8 D. All applications for a new license pursuant to section 4-201 or for
9 a transfer to a new location pursuant to subsection C of this section shall
10 be filed with and determined by the director, except when the governing body
11 of the city or town or the board of supervisors receiving an application
12 pursuant to section 4-201 orders disapproval of the application ~~or makes no~~
13 ~~recommendation~~ or when the director, the state liquor board or any aggrieved
14 party requests a hearing. The application shall then be presented to the
15 state liquor board, and the new license or transfer shall not become
16 effective unless approved by the state liquor board.

17 E. A person who assigns, surrenders, transfers or sells control of a
18 liquor license or business that has a spirituous liquor license shall notify
19 the director within thirty business days after the assignment, surrender,
20 transfer or sale. No spirituous liquor license shall be leased or subleased.
21 A concession agreement entered into under section 4-205.03 is not considered
22 a lease or sublease in violation of this section.

23 F. If a person other than those persons originally licensed acquires
24 control over a license or licensee, the person shall file notice of the
25 acquisition with the director within thirty business days after the
26 acquisition of control and a list of officers, directors or other controlling
27 persons on a form prescribed by the director. All officers, directors or
28 other controlling persons shall meet the qualifications for licensure as
29 prescribed by this title. On request, the director shall conduct a
30 preinvestigation before the assignment, sale or transfer of control of a
31 license or licensee, the reasonable costs of which, not to exceed one
32 thousand dollars, shall be borne by the applicant. The preinvestigation
33 shall determine whether the qualifications for licensure as prescribed by
34 this title are met. On receipt of notice of an acquisition of control or
35 request of a preinvestigation, the director shall forward the notice within
36 fifteen days to the local governing body of the city or town, if the licensed
37 premises is in an incorporated area, or the county, if the licensed premises
38 is in an unincorporated area. The local governing body of the city, town or
39 county may protest the acquisition of control within sixty days based on the
40 capability, reliability and qualification of the person acquiring control.
41 If the director does not receive any protests, the director may protest the
42 acquisition of control or approve the acquisition of control based on the
43 capability, reliability and qualification of the person acquiring control.
44 Any protest shall be set for a hearing before the board. Any transfer shall
45 be approved or disapproved within one hundred five days ~~of~~ AFTER the filing
46 of the notice of acquisition of control. The person who has acquired control

1 of a license or licensee has the burden of an original application at the
2 hearing, and the board shall make its determination pursuant to section 4-202
3 and this section with respect to capability, reliability and qualification.

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

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

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

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

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

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

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

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

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

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

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

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

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

22 Sec. 4. Section 4-205.02, Arizona Revised Statutes, is amended to
23 read:

24 4-205.02. Restaurant license; issuance; regulatory provisions;
25 expiration; definitions

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

31 B. The director shall issue the license in the name of the restaurant
32 ~~upon~~ ON application for the license by the owner or lessee of the restaurant,
33 provided the applicant is otherwise qualified to hold a spirituous liquor
34 license. The holder of such license is subject to the penalties prescribed
35 for any violation of the law relating to alcoholic beverages.

36 C. The holder of a restaurant license may sell and serve spirituous
37 liquors solely for consumption on the licensed premises. For the purpose of
38 this subsection, "licensed premises" may include rooms, areas or locations in
39 which the restaurant normally sells or serves spirituous liquors pursuant to
40 regular operating procedures and practices and that are contiguous to the
41 restaurant or a noncontiguous patio pursuant to section 4-101, paragraph
42 ~~26~~ 27. For the purposes of this subsection, a restaurant licensee must
43 submit proof of tenancy or permission from the landowner or lessor for all
44 property to be included in the licensed premises.

45 D. In addition to other grounds prescribed in this title on which a
46 license may be revoked, the director may require the holder of a restaurant

1 license issued pursuant to this section to surrender the license in any case
2 in which the licensee ceases to operate as a restaurant, as prescribed in
3 subsection A of this section. The surrender of a license pursuant to this
4 subsection does not prevent the director from revoking the license for other
5 grounds prescribed in this title or for making deliberate material
6 misrepresentations to the department regarding the licensee's equipment,
7 service or entertainment items or seating capacity in applying for the
8 restaurant license.

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

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

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

25 H. A RESTAURANT APPLICANT OR LICENSEE MAY APPLY FOR A PERMIT ALLOWING
26 FOR THE SALE OF BEER FOR CONSUMPTION OFF THE LICENSED PREMISES PURSUANT TO
27 SECTION 4-244, PARAGRAPH 32, SUBDIVISION (c) ON A FORM PRESCRIBED AND
28 FURNISHED BY THE DIRECTOR. THE DEPARTMENT SHALL NOT ISSUE A PERMIT TO A
29 RESTAURANT APPLICANT OR LICENSEE THAT DOES NOT MEET THE REQUIREMENTS IN
30 SECTION 4-207, SUBSECTION A. THE PROVISIONS OF SECTION 4-207, SUBSECTION B
31 DO NOT APPLY TO THIS SUBSECTION. THE PERMIT SHALL BE ISSUED ONLY AFTER THE
32 DIRECTOR HAS DETERMINED THAT THE PUBLIC CONVENIENCE REQUIRES AND THAT THE
33 BEST INTEREST OF THE COMMUNITY WILL BE SUBSTANTIALLY SERVED BY THE ISSUANCE
34 OF THE PERMIT, CONSIDERING THE SAME CRITERIA ADOPTED BY THE DIRECTOR FOR
35 ISSUING A RESTAURANT LICENSE DESCRIBED IN SECTION 4-209, SUBSECTION B,
36 PARAGRAPH 12. THE AMOUNT OF BEER SOLD UNDER THE PERMIT SHALL NOT EXCEED TEN
37 PERCENT OF GROSS REVENUE OF SPIRITUOUS LIQUOR SOLD BY THE ESTABLISHMENT.
38 AFTER THE PERMIT HAS BEEN ISSUED, THE PERMIT SHALL BE NOTED ON THE LICENSE
39 ITSELF AND IN THE RECORDS OF THE DEPARTMENT. THE DIRECTOR MAY CHARGE A FEE
40 FOR PROCESSING THE APPLICATION FOR THE PERMIT AND A RENEWAL FEE.

41 ~~H.~~ I. For the purposes of this section:

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

1 2. "Restaurant" means an establishment that derives at least forty ~~per~~
2 ~~cent~~ PERCENT of its gross revenue from the sale of food, including sales of
3 food for consumption off the licensed premises if the amount of these sales
4 included in the calculation of gross revenue from the sale of food does not
5 exceed fifteen ~~per-cent~~ PERCENT of all gross revenue of the restaurant.

6 Sec. 5. Section 4-205.03, Arizona Revised Statutes, is amended to
7 read:

8 4-205.03. Government license; issuance; regulatory provisions;
9 agreements with coliseum concessionaires;
10 definitions

11 A. The department may issue a government license to any state agency,
12 state board, state commission, county, city, town, community college or state
13 university, the national guard or the Arizona exposition and state fair board
14 on application authorized by the governing body of the state agency, state
15 board, state commission, county, city, town, community college or state
16 university, the national guard or the Arizona exposition and state fair
17 board.

18 B. If the department issues the license, it shall be issued in the
19 name of the state agency, state board, state commission, county, city, town,
20 community college or state university, the national guard or the Arizona
21 coliseum and exposition center. No application shall be filed unless
22 authorized by the respective governing body. The application shall designate
23 for each location a manager or other individual responsible for administering
24 the license. The state agency, state board, state commission, county, city,
25 town, community college or state university, the national guard or the
26 Arizona exposition and state fair board shall give notice to the department
27 within ten days ~~of~~ AFTER any change in the designee. The state agency, state
28 board, state commission, county, city, town, community college or state
29 university, the national guard or the Arizona coliseum and exposition center
30 to which a license is issued is subject to the fine or penalty prescribed for
31 any violation of the statutes relating to alcoholic beverages.

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

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

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

45 F. Any agreement entered into by the Arizona exposition and state fair
46 board allowing an indicated concessionaire to serve alcoholic beverages

1 pursuant to this section shall contain a provision requiring the
2 concessionaire to do both of the following:

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

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

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

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

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

22 3. A person shall not be served more than ~~thirty-two~~ FIFTY ounces of
23 beer, one liter of wine or four ounces of distilled spirits AT ONE TIME while
24 the person is on a boat.

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

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

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

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

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

39 H. For the purposes of this section:

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

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

1 5. A licensed farm winery may purchase and sell wine produced by
2 another licensed farm winery for consumption on or off the premises only if
3 the retail sale is to a consumer physically present on the premises of the
4 farm winery, except that the sales of wine produced by another winery may not
5 exceed twenty ~~per-cent~~ PERCENT of the farm winery's sales by volume. The
6 percentage limitation shall not apply to wine produced pursuant to
7 subsections D and E of this section.

8 6. If the licensed farm winery is not otherwise engaged in the
9 business of a distiller, vintner, brewer, rectifier, blender or other
10 producer of spirituous liquor in any jurisdiction, the licensed farm winery
11 may hold licenses prescribed in section 4-209, subsection B, paragraph 12 on
12 the licensed farm winery premises or other retail premises. Except as
13 provided in paragraph 5 of this subsection, the licensed farm winery shall
14 purchase all other spirituous liquor for sale at the on-sale retail premises
15 from wholesalers that are licensed in this state, except that a licensed farm
16 winery may:

17 (a) Purchase wine from other farm wineries pursuant to paragraph 7 of
18 this subsection.

19 (b) Make deliveries of the wine that the farm winery produces to the
20 farm winery's own commonly controlled retail licensed premises.

21 7. A licensed farm winery that produces not more than twenty thousand
22 gallons of wine in a calendar year may make sales and deliveries of the wine
23 that the licensed farm winery produces to on-sale and off-sale retailers.

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

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

32 (a) The purchaser of the wine provided the licensed farm winery with
33 verification of the purchaser's legal age to purchase alcohol.

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

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

38 (d) The wine is delivered by the licensed farm winery or shipped by
39 the licensed farm winery by a common carrier to a residential or business
40 address other than a premises licensed pursuant to this title.

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

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

45 (g) The farm winery shall collect payment for the price of the
46 spirituous liquor no later than at the time of delivery.

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

3 D. On application by one or more persons, the director may approve
4 applications for grouping two or more farm winery licenses at one location
5 under a plan of alternating proprietorships if a licensed winery has received
6 approval of the alternating proprietorship by the United States alcohol and
7 tobacco tax and trade bureau and the participating wineries operate under the
8 regulations and guidelines that are issued by the United States alcohol and
9 tobacco tax and trade bureau. Each participating winery shall be responsible
10 for filing all reports that relate to its wine production or manufacturing
11 with the United States alcohol and tobacco tax and trade bureau and the
12 department.

13 E. A person otherwise qualified to receive a farm winery license may
14 enter into a custom crush arrangement where a licensed winery produces or
15 manufactures wine from grapes or other fruit supplied by the person. The
16 winery receiving the fruit shall be licensed by the United States alcohol and
17 tobacco tax and trade bureau and the department and shall be responsible for
18 filing all reports that relate to its wine production or manufacturing with
19 the United States alcohol and tobacco tax and trade bureau and the
20 department. Each person supplying the grapes or other fruit shall first
21 apply for and receive a farm winery license and shall report to the
22 department all volumes of wine from its custom crush arrangements, which
23 shall not be allocated to the gallonage of the receiving FARM winery IF THE
24 SUPPLYING FARM WINERY HAS AN ACTIVE BASIC PERMIT ISSUED BY THE UNITED STATES
25 ALCOHOL AND TOBACCO TAX AND TRADE BUREAU.

26 F. On application by a farm winery licensee, the director may
27 authorize a farm winery licensee to operate up to two remote tasting and
28 retail premises if:

29 1. The wine sold at the premises is limited to wine produced or
30 manufactured by the licensed farm winery and wines produced or manufactured
31 by other licensed farm wineries, including wines produced or manufactured
32 pursuant to subsections D and E of this section. The farm winery may sell
33 wine to a consumer physically present on the premises for consumption on or
34 off the premises. Sales of wines not produced or manufactured by the farm
35 winery shall be limited to no more than twenty ~~per-cent~~ PERCENT of the total
36 sales by volume at that location. The percentage limitation shall not apply
37 to wine produced pursuant to subsections D and E of this section.

38 2. The farm winery licensee:

39 (a) Remains responsible for the premises.

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

44 (c) Does not sublease the premises.

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

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

3 G. A farm winery licensee may hold a craft ~~distillery~~ DISTILLER
4 license issued pursuant to section 4-205.10. The farm ~~wine~~ WINERY and craft
5 ~~distillery~~ DISTILLER licensee may only produce distilled spirits up to a
6 gallonage of one thousand gallons in a calendar year from fruit processed at
7 the winery for the primary purpose of making wine. The farm ~~wine~~ WINERY and
8 craft ~~distillery~~ DISTILLER licensee is subject to all other requirements of
9 this section and section 4-205.10. The farm winery may provide sampling and
10 sales of the distilled spirits pursuant to section 4-205.10, subsection C,
11 paragraphs 2 and 3 on the same premises as the wine sampling and retail
12 sales.

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

20 I. A farm winery that sells or delivers wine pursuant to this section
21 shall:

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

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

26 J. A delivery of wine by a farm winery to a purchaser in this state is
27 a transaction deemed to have occurred in this state.

28 K. The director shall adopt rules in order to administer this section.

29 L. The director may charge an additional farm winery license fee
30 adopted pursuant to section 4-209 for the issuance of licenses,
31 authorizations or approvals pursuant to subsections D, E and F of this
32 section.

33 Sec. 7. Section 4-205.05, Arizona Revised Statutes, is amended to
34 read:

35 4-205.05. Disposal of seized or recovered liquor

36 A. The director may issue a temporary permit authorizing the disposal
37 at public auction of spirituous liquor that has been seized by any agency of
38 this state, the federal government, any political subdivision of this state,
39 any financial institution as defined in section 6-101 that has a security
40 interest in a license or the federal government pursuant to statute. A bid
41 at a public auction shall not be accepted from a licensee if the spirituous
42 liquors offered for sale at the auction were seized from that licensee. The
43 director shall issue the permit only if presented with proper documents of
44 seizure by the appropriate official. The director may dispose of seized
45 spirituous liquor in whole or in part by public auction, by providing the
46 spirituous liquor to law enforcement for training AND INVESTIGATION purposes

1 only, ~~or both~~, or by authorizing a qualified person to recycle the spirituous
2 liquor.

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

9 Sec. 8. Section 4-206.01, Arizona Revised Statutes, is amended to
10 read:

11 4-206.01. Bar, beer and wine bar or liquor store licenses;
12 number permitted; fee; sampling privileges

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

16 B. In each county, the director, each year, shall issue additional
17 bar, beer and wine bar or liquor store licenses at the rate of one of each
18 type for each additional ten thousand person increase over the population in
19 that county as of July 1, 2010. Any licenses that have been revoked or
20 reverted in any county after July 1, 2014 may be reissued by the director in
21 the county of their issuance. The director may waive the issuance of any
22 series of new, revoked or reverted licenses in a county for one year where
23 there has been no request made to the department for the issuance of a new
24 license of that series. For the purposes of this subsection, the population
25 of a county is deemed to be the population estimated by the office of
26 employment and population statistics within the Arizona department of
27 administration as of July 1 of each year.

28 C. A person issued a license authorized by subsection B of this
29 section shall pay an additional issuance fee equal to the license's fair
30 market value that shall be paid to the state general fund. The fair market
31 value shall be defined to mean the mean value of licenses of the same type
32 sold on the open market in the same county during the prior twelve months,
33 but if there are not three or more sales then the fair market value shall be
34 determined by two appraisals furnished to the department by independent
35 professional appraisers employed by the director.

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

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

42 F. After January 1, 2011, bar licenses and beer and wine bar licenses
43 shall be issued and used only if the clear primary purpose and actual primary
44 use is for on-sale retailer privileges. The off-sale privileges associated
45 with a bar license and a beer and wine bar license shall be limited to use,
46 which is clearly auxiliary to the active primary on-sale privilege. A bar

1 license or a beer and wine bar license shall not be issued or used if the
2 associated off-sale use, by total retail spirituous liquor sales, exceeds
3 thirty ~~per cent~~ PERCENT of the sales price of on-sale spirituous liquors by
4 the licensee at that location. For dual licenses issued pursuant to a single
5 site or where a second license is issued to a site that already has a
6 spirituous liquor license, other than settlement licenses issued as provided
7 by law, the applicant shall have the burden of establishing that public
8 convenience and the best interest of the community will be served by the
9 issuance of the license.

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

18 H. The director may issue a beer and wine bar license to the holder of
19 a liquor store license issued simultaneously at the same premises. An
20 applicant for a liquor store license and a beer and wine bar license may
21 consolidate the application and may apply for both licenses at the same time.
22 The holder of each license shall fully comply with all applicable provisions
23 of this title. A liquor store license and a beer and wine bar license on the
24 same premises shall be owned by and issued to the same licensee.

25 I. The director may issue a restaurant license to the holder of a beer
26 and wine bar license issued simultaneously at the same premises. An
27 applicant for a restaurant license and a beer and wine bar license may
28 consolidate the application and may apply for both licenses at the same time.
29 The holder of each license shall fully comply with all applicable provisions
30 of this title. A restaurant license and a beer and wine bar license on the
31 same premises shall be owned by and issued to the same licensee. The
32 limitation set forth in subsection F of this section with respect to the
33 off-sale privileges of the beer and wine bar licenses shall be measured
34 against the on-sales of beer and wine sales of the establishment. For the
35 purposes of compliance with section 4-205.02, subsection ~~H~~ I, paragraph 2,
36 it shall be conclusively presumed that all on premises sales of spirituous
37 liquors are made under the authority of the restaurant license.

38 J. An applicant for a liquor store license or a beer and wine store
39 license and the licensee of a liquor store license or a beer and wine store
40 license may apply for sampling privileges associated with the license. Beer
41 and wine store premises shall contain at least five thousand square feet in
42 order to be eligible for sampling privileges. A person desiring a sampling
43 privilege associated with a liquor store license shall apply to the director
44 on a form prescribed and furnished by the director. The application for
45 sampling privileges may be filed for an existing license or may be submitted
46 with an initial license application. The request for sampling approval, the

1 review of the application and the issuance of approval shall be conducted
2 under the same procedures for the issuance of a spirituous liquor license
3 prescribed in section 4-201. After a sampling privilege has been issued for
4 a liquor store license or a beer and wine store license, the sampling
5 privilege shall be noted on the license itself and in the records of the
6 department. The sampling rights associated with a license are not
7 transferable. The director may charge a fee for processing ~~the~~ EACH
8 application for sampling privileges and a renewal fee as provided in this
9 section. A city or town shall not charge any fee relating to the issuance or
10 renewal of a sampling privilege. Notwithstanding section 4-244, paragraph
11 19, a liquor store licensee or a beer and wine store licensee that holds a
12 license with sampling privileges may provide spirituous liquor sampling
13 subject to the following requirements:

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

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

19 3. The licensed retailer shall make sales of sampled products from the
20 licensed retail premises.

21 4. The licensee shall not charge any customer for the sampling of any
22 products.

23 5. The sampling shall be conducted under the supervision of an
24 employee of a sponsoring distiller, vintner, brewer, wholesaler or retail
25 licensee.

26 6. Accurate records of sampling products dispensed shall be retained
27 by the licensee.

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

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

32 K. If a beer and wine bar license and a beer and wine store license
33 are issued at the same premises, for the purposes of reporting liquor
34 purchases under each license, all spirituous beverages purchased for sampling
35 are conclusively presumed to be purchased under the beer and wine bar license
36 and all spirituous liquor sold off-sale are conclusively presumed to be
37 purchased under the beer and wine store license.

38 L. The director may issue a beer and wine store license to the holder
39 of a bar license simultaneously at the same premises. An applicant for a
40 beer and wine store license and a bar license may consolidate the application
41 and may apply for both licenses at the same time. The holder of each license
42 shall fully comply with all applicable provisions of this title. A beer and
43 wine store license and a bar license on the same premises shall be owned by
44 and issued to the same licensee. If a beer and wine store license and a bar
45 license are issued at the same premises, for purposes of reporting liquor

1 purchases under each license, all off-sale beer and wine sales are
2 conclusively presumed to be purchased under the beer and wine store license.

3 Sec. 9. Section 4-207, Arizona Revised Statutes, is amended to read:

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

6 A. A retailer's license shall not be issued for any premises that are,
7 at the time the license application is received by the director, within three
8 hundred horizontal feet of a church, within three hundred horizontal feet of
9 a public or private school building with kindergarten programs or any of
10 grades one through twelve or within three hundred horizontal feet of a fenced
11 recreational area adjacent to such school building. This section does not
12 prohibit the renewal of a valid license issued pursuant to this title if, on
13 the date that the original application for the license is filed, the premises
14 were not within three hundred horizontal feet of a church, within three
15 hundred horizontal feet of a public or private school building with
16 kindergarten programs or any of grades one through twelve or within three
17 hundred horizontal feet of a fenced recreational area adjacent to such school
18 building.

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

20 1. Restaurant issued a license pursuant to section 4-205.02, **SUBJECT**
21 **TO THE LIMITATIONS IN SECTION 4-205.02, SUBSECTION H, FOR A PERMIT ALLOWING**
22 **FOR THE SALE OF BEER FOR CONSUMPTION OFF OF THE LICENSED PREMISES PURSUANT TO**
23 **SECTION 4-244, PARAGRAPH 32, SUBDIVISION (c).**

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

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

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

27 5. Playing area of a golf course issued a license pursuant to this
28 article.

29 6. ~~A~~ Beer and wine license at a not-for-profit performing arts
30 theatre with a permanent seating capacity of at least two hundred fifty
31 persons.

32 C. Notwithstanding subsection A of this section:

33 1. A transferable spirituous liquor license that is validly issued and
34 that is, on the date an application for a transfer is filed, within three
35 hundred horizontal feet of a church, within three hundred horizontal feet of
36 a public or private school building with kindergarten programs or any of
37 grades one through twelve or within three hundred horizontal feet of a fenced
38 recreational area adjacent to such school building may be transferred person
39 to person pursuant to sections 4-201, 4-202 and 4-203 and remains in full
40 force until the license is terminated in any manner, unless renewed pursuant
41 to section 4-209, subsection A.

42 2. A person may be issued a spirituous liquor license pursuant to
43 sections 4-201, 4-202 and 4-203 of the same class for premises that, on the
44 date the application is filed, have a valid transferable or nontransferable
45 license of the same series if the premises are, on the date an application
46 for such license is filed, within three hundred horizontal feet of a church,

1 within three hundred horizontal feet of a public or private school building
2 with kindergarten programs or any of grades one through twelve or within
3 three hundred horizontal feet of a fenced recreational area adjacent to such
4 school building and the license remains in full force until the license is
5 terminated in any manner, unless renewed pursuant to section 4-209,
6 subsection A.

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

17 4. The governing body of a city or town, on a case-by-case basis, may
18 approve an exemption from the distance restrictions prescribed in this
19 section for a church or a public or private school that is located in an area
20 that is designated an entertainment district by the governing body of that
21 city or town. A city or town with a population of at least five hundred
22 thousand persons may designate no more than three entertainment districts
23 within the boundaries of the city or town pursuant to this paragraph. A city
24 or town with a population of at least two hundred thousand persons but less
25 than five hundred thousand persons may designate no more than two
26 entertainment districts within the boundaries of the city or town pursuant to
27 this paragraph. A city or town with a population of less than two hundred
28 thousand persons may designate no more than one entertainment district within
29 the boundaries of the city or town pursuant to this paragraph.

30 5. A person may be issued a beer and wine store license pursuant to
31 sections 4-201, 4-202, 4-203 and 4-206.01 for premises that have a liquor
32 store license validly issued if the premises, on the date of an application
33 for which the license is filed, are within three hundred horizontal feet of a
34 church, within three hundred horizontal feet of a public or private school
35 building with kindergarten programs or any of grades one through twelve or
36 within three hundred horizontal feet of a fenced recreation area adjacent to
37 such school building and the license remains in full force until the license
38 is terminated in any manner, unless renewed pursuant to section 4-209,
39 subsection A.

40 D. For the purposes of this section:

41 1. "Church" means a building which is erected or converted for use as
42 a church, where services are regularly convened, that is used primarily for
43 religious worship and schooling and that a reasonable person would conclude
44 is a church by reason of design, signs or architectural or other features.

45 2. "Entertainment district" means a specific contiguous area that is
46 designated an entertainment district by a resolution adopted by the governing

1 body of a city or town, that consists of no more than one square mile, that
2 is no less than one-eighth of a mile in width and that contains a significant
3 number of entertainment, artistic and cultural venues, including music halls,
4 concert facilities, theaters, arenas, stadiums, museums, studios, galleries,
5 restaurants, bars and other related facilities.

6 Sec. 10. Section 4-209, Arizona Revised Statutes, is amended to read:

7 4-209. Fees for license, application, issuance, renewal and
8 transfer; late renewal penalty; seasonal operation;
9 surcharges

10 A. A fee shall accompany an application for an original license or
11 transfer of a license, or in case of renewal, shall be paid in advance.
12 Every license expires annually, except that a license may be renewed for a
13 two-year period pursuant to subsection M of this section if no compliance
14 penalties have been issued to that location during the year before the
15 renewal. A licensee who fails to renew the license on or before the due date
16 shall pay a penalty of one hundred fifty dollars, which the licensee shall
17 pay with the renewal fee. A license renewal that is deposited, properly
18 addressed and postage prepaid in an official depository of the United States
19 mail on or before the due date shall be deemed filed and received by the
20 department on the date shown by the postmark or other official mark of the
21 United States postal service stamped on the envelope. If the due date falls
22 on a Saturday, Sunday or other legal holiday, the renewal shall be considered
23 timely if it is received by the department on the next business day. The
24 director may waive a late renewal penalty if good cause is shown by the
25 licensee. A licensee who fails to renew the license on or before the due
26 date may not sell, purchase or otherwise deal in spirituous liquor until the
27 license is renewed. A license that is not renewed within sixty days after
28 the due date is deemed terminated. The director may renew the terminated
29 license if good cause is shown by the licensee. An application fee for an
30 original license or the transfer of a license shall be one hundred dollars,
31 which shall be retained by this state.

32 B. Issuance fees for original licenses shall be:

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

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

38 3. For a microbrewery license, three hundred dollars.

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

41 5. For a government license issued in the name of a state agency,
42 state commission, state board, county, city, town, community college or state
43 university or the national guard, one hundred dollars.

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

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

4 8. For a conveyance license issued to an operating railroad company,
5 to sell all spirituous liquors in individual portions or in the original
6 containers on all passenger trains operated by the railroad company, or to an
7 operating airline company, to sell or serve spirituous liquors solely in
8 individual portions on all passenger planes operated by the airline company,
9 or to a boat operating in the waters of this state, to sell all spirituous
10 liquors in individual portions or in the original containers for consumption
11 on the boat, one thousand five hundred dollars.

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

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

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

19 12. For a restaurant license issued as such, to sell and serve
20 spirituous liquors solely for consumption on the licensed premises of the
21 restaurant, one thousand five hundred dollars. FOR A PERMIT ISSUED UNDER
22 SECTION 4-205.02, SUBSECTION H ALLOWING FOR THE SALE OF BEER FOR THE
23 CONSUMPTION OFF THE LICENSED PREMISES PURSUANT TO SECTION 4-244, PARAGRAPH
24 32, SUBDIVISION (c), THE DIRECTOR MAY CHARGE A FEE.

25 13. For a farm winery license, one hundred dollars. The director may
26 charge a licensed farm winery a fee pursuant to section 4-205.04, subsection
27 ~~D, E or F~~ L.

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

31 15. For an out-of-state winery that sells not more than two hundred
32 forty gallons of wine in this state in a calendar year, twenty-five dollars.

33 16. The department may charge a fee for a craft distiller license.

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

40 D. The annual fees for licenses shall be:

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

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

46 3. For a microbrewery license, three hundred dollars.

- 1 4. For a wholesaler's license, to sell spirituous liquors, two hundred
2 fifty dollars.
- 3 5. For a government license issued to a county, city or town,
4 community college or state university or the national guard, one hundred
5 dollars.
- 6 6. For a bar license, which is an on-sale retailer's license to sell
7 all spirituous liquors primarily by individual portions and in the original
8 containers, one hundred fifty dollars.
- 9 7. For a beer and wine bar license, which is an on-sale retailer's
10 license to sell beer and wine primarily by individual portions and in the
11 original containers, seventy-five dollars.
- 12 8. For a conveyance license issued to an operating railroad company,
13 to sell all spirituous liquors in individual portions or in the original
14 containers on all passenger trains operated by the railroad company, or to an
15 operating airline company, to sell or serve spirituous liquors solely in
16 individual portions on all passenger planes operated by the airline company,
17 or to a boat operating in the waters of this state, to sell all spirituous
18 liquor in individual portions or in the original containers for consumption
19 on the boat, two hundred twenty-five dollars.
- 20 9. For a liquor store license, which is an off-sale retailer's license
21 to sell all spirituous liquors, fifty dollars.
- 22 10. For a beer and wine store license, which is an off-sale retailer's
23 license to sell beer and wine, fifty dollars.
- 24 11. For a hotel-motel license issued as such, to sell and serve
25 spirituous liquors solely for consumption on the licensed premises of the
26 hotel or motel, five hundred dollars.
- 27 12. For a restaurant license issued as such, to sell and serve
28 spirituous liquors solely for consumption on the licensed premises of the
29 restaurant, five hundred dollars, and for a restaurant license that is
30 permitted to continue operating as a restaurant pursuant to section 4-213,
31 subsection E, an additional amount established by the director. The
32 department shall transfer this amount to the state treasurer for deposit in
33 the state general fund.
- 34 13. For a farm winery license, one hundred dollars. The director may
35 charge a licensed farm winery an annual fee pursuant to section 4-205.04,
36 subsection ~~D, E or F~~ L.
- 37 14. For a club license issued in the name of a bona fide club qualified
38 under this title to sell all spirituous liquors on-sale, one hundred fifty
39 dollars.
- 40 15. For an out-of-state winery that sells not more than two hundred
41 forty gallons of wine in this state in a calendar year, twenty-five dollars.
- 42 16. The director may charge a fee for the annual renewal of a craft
43 distiller license.
- 44 E. Where the business of an on-sale retail licensee is seasonal, not
45 extending over periods of more than six months in any calendar year, the
46 licensee may designate the periods of operation, and a license may be granted

1 for those periods only, on payment of one-half of the fee prescribed in
2 subsection D of this section.

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

5 G. Transfer fees from location to location, as provided for in section
6 4-203, shall be one hundred dollars.

7 H. Assignment fees for a change of agent, as provided for in section
8 4-202, subsection ~~E~~ A, shall be one hundred dollars, except that where a
9 licensee holds multiple licenses the assignment fee for the first license
10 shall be one hundred dollars and the assignment fee for all remaining
11 licenses transferred to the same OR A NEW agent, OR WITH THE SAME ACQUIRING
12 PARTY OR PARTIES, shall be fifty dollars each, except that the aggregate
13 assignment fees shall in no event exceed one thousand dollars.

14 I. No fee shall be charged by the department for an assignment of a
15 liquor license in probate or an assignment pursuant to the provisions of a
16 will or pursuant to a judicial decree in a domestic relations proceeding
17 ~~which~~ THAT assigns ownership of a business ~~which~~ THAT includes a spirituous
18 liquor license to one of the parties in the proceeding. In the case of
19 nontransferable licenses no fee shall be charged by the department for the
20 issuance of a license for a licensed business pursuant to a transfer of the
21 business in probate or pursuant to the provisions of a will or pursuant to a
22 judicial decree in a domestic relations proceeding ~~which~~ THAT assigns
23 ownership of the business to one of the parties in the proceeding.

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

31 K. The director shall assess a surcharge of thirty-five dollars on all
32 licenses prescribed in this section. Monies from the surcharge shall be used
33 by the department exclusively for the costs of an enforcement program to
34 investigate licensees who have been the subject of multiple complaints to the
35 department. The enforcement program shall respond to complaints against
36 licensees by neighborhood associations, by neighborhood civic groups and from
37 municipal and county governments. The department shall assess the surcharge
38 as part of the annual license renewal fee.

39 L. The director shall assess a surcharge of twenty dollars on all
40 licenses prescribed in subsection D, paragraphs 11 and 12 of this section and
41 thirty-five dollars on all other licenses prescribed in this section. Monies
42 from the surcharge and from surcharges imposed pursuant to subsection K of
43 this section shall be used by the department exclusively for the costs of a
44 neighborhood association interaction and liquor enforcement management unit.
45 The unit shall respond to complaints from neighborhood associations,
46 neighborhood civic groups and local governing authorities regarding liquor

1 violations. The director shall report the unit's activities to the board at
2 each board meeting or as the board may direct.

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

8 Sec. 11. Section 4-227, Arizona Revised Statutes, is amended to read:
9 4-227. Qualified retail cooperatives; pricing; definitions

10 A. A wholesaler shall sell its product to a qualified retail
11 cooperative at prices established by the quantity of spirituous liquor being
12 purchased.

13 B. As used in this section:

14 1. "Product" means a particular brand of spirituous liquor in a
15 designated size container or a mix of brands and containers when sold on a
16 combined basis established by the wholesaler that is offered on quantity
17 discount terms established by the wholesaler.

18 2. "Qualified retail cooperative" means a retail cooperative of two **OR**
19 **MORE** retail licensees **OR LICENSES**.

20 Sec. 12. Section 4-227.01, Arizona Revised Statutes, is amended to
21 read:

22 4-227.01. Channel pricing; definition

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

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

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

29 **B. IF AN ESTABLISHMENT HAS MULTIPLE LICENSES AT THE SAME LOCATION AND**
30 **THE LICENSES ARE NOT FROM THE SAME CHANNEL, THE SPIRITUOUS LIQUOR SHALL BE**
31 **SOLD UNDER THE CHANNEL THAT REPRESENTS THE PRIMARY USE OF THE PREMISES.**

32 ~~B.~~ C. For the purposes of this section, "product" means a particular
33 brand of spirituous liquor in a designated size container or a mix of brands
34 and containers when sold on a combined basis as established by the wholesaler
35 that is offered in quantity discount terms established by the wholesaler.

36 Sec. 13. Section 4-243, Arizona Revised Statutes, is amended to read:
37 4-243. Commercial coercion or bribery unlawful; exceptions

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

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

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

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

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

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

12 6. To guarantee a loan or repayment of a financial obligation of the
13 retailer.

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

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

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

19 B. This section does not prohibit any distiller, vintner, brewer,
20 rectifier, blender or other producer or wholesaler of any spirituous liquor
21 from:

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

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

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

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

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

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

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

42 (f) All sampling procedures shall comply with federal sampling laws
43 and regulations.

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

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

3 (b) The producer or wholesaler shall notify the department in writing
4 or by electronic means not less than ~~ten~~ FIVE days before the sampling of the
5 date, time and location of the sampling and of the name of the wholesaler or
6 producer distributing the product.

7 (c) Sampling shall be limited to three ounces of beer, one and
8 one-half ounces of wine or one ounce of distilled spirits per person per day
9 for consumption on the premises and up to seventy-two ounces of beer and two
10 ounces of distilled spirits per person per day for consumption off the
11 premises.

12 (d) An off-sale retailer shall not permit sampling to be conducted on
13 a licensed premises on more than twelve days in any calendar year per
14 wholesaler or producer.

15 (e) Sampling shall be limited to ~~one wholesaler~~ TWO WHOLESALERS or
16 ~~producer~~ PRODUCERS at any one off-sale retailer's premises on any day and
17 shall not exceed three hours on any day PER APPROVED SAMPLING.

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

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

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

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

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

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

37 (l) All sampling procedures shall comply with federal sampling laws
38 and regulations.

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

42 D. Notwithstanding subsection A, paragraph 4, and subsection B,
43 paragraph 2, subdivision (e) of this section, any wholesaler may furnish
44 without cost promotional items to an on-sale retailer, except that the total
45 market value of the promotional items furnished by that wholesaler to that
46 retailer in any calendar year shall not exceed five hundred dollars. For the

1 purposes of this subsection, "promotional items" means items of equipment,
2 supplies, novelties or other advertising specialties that conspicuously
3 display the brand name of a spirituous liquor product. Promotional items do
4 not include signs.

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

11 Sec. 14. Section 4-244, Arizona Revised Statutes, is amended to read:

12 4-244. Unlawful acts

13 It is unlawful:

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

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

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

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

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

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

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

44 8. For a retailer to acquire an interest in property owned, occupied
45 or used by a wholesaler in the wholesaler's business, or in a license with
46 respect to the premises of the wholesaler.

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

12 10. For a licensee to employ a person under nineteen years of age to
13 manufacture, sell or dispose of spirituous liquors. This paragraph shall not
14 prohibit the employment by an off-sale retailer of persons who are at least
15 sixteen years of age to check out, if supervised by a person on the premises
16 who is at least nineteen years of age, package or carry merchandise,
17 including spirituous liquor, in unbroken packages, for the convenience of the
18 customer of the employer, if the employer sells primarily merchandise other
19 than spirituous liquor.

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

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

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

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

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

43 (c) An employee of an on-sale retail licensee, under the supervision
44 of a manager as part of the employee's training and education, while not
45 engaged in waiting on or serving customers may taste samples of distilled
46 spirits not to exceed two ounces per educational session or beer or wine not

1 to exceed four ounces per educational session, and provided that a licensee
2 shall not have more than two educational sessions in any thirty day period.

3 (d) An unpaid volunteer who is a bona fide member of a club and who is
4 not engaged in waiting on or serving spirituous liquor to customers may
5 purchase for himself and consume spirituous liquor while participating in a
6 scheduled event at the club. An unpaid participant in a food competition may
7 purchase for himself and consume spirituous liquor while participating in the
8 food competition.

9 (e) An unpaid volunteer of a special event licensee under section
10 4-203.02 may purchase and consume spirituous liquor while not engaged in
11 waiting on or serving spirituous liquor to customers at the special event.
12 This subdivision does not apply to an unpaid volunteer whose responsibilities
13 include verification of a person's legal drinking age, security or the
14 operation of any vehicle or heavy machinery.

15 14. For a licensee or other person to serve, sell or furnish spirituous
16 liquor to a disorderly or obviously intoxicated person, or for a licensee or
17 employee of the licensee to allow or permit a disorderly or obviously
18 intoxicated person to come into or remain on or about the premises, except
19 that a licensee or an employee of the licensee may allow an obviously
20 intoxicated person to remain on the premises for a period of time of not to
21 exceed thirty minutes after the state of obvious intoxication is known or
22 should be known to the licensee in order that a nonintoxicated person may
23 transport the obviously intoxicated person from the premises. For the
24 purposes of this section, "obviously intoxicated" means inebriated to the
25 extent that a person's physical faculties are substantially impaired and the
26 impairment is shown by significantly uncoordinated physical action or
27 significant physical dysfunction that would have been obvious to a reasonable
28 person.

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

32 16. For a licensee or employee to knowingly permit any person on or
33 about the licensed premises to give or furnish any spirituous liquor to any
34 person under twenty-one years of age or knowingly permit any person under
35 twenty-one years of age to have in the person's possession spirituous liquor
36 on the licensed premises.

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

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

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

5 20. For a person to consume spirituous liquor in a public place,
6 thoroughfare or gathering. The license of a licensee permitting a violation
7 of this paragraph on the premises shall be subject to revocation. This
8 paragraph does not apply to the sale of spirituous liquors on the premises of
9 and by an on-sale retailer. This paragraph also does not apply to a person
10 consuming beer from a broken package in a public recreation area or on
11 private property with permission of the owner or lessor or on the walkways
12 surrounding such private property or to a person consuming beer or wine from
13 a broken package in a public recreation area as part of a special event or
14 festival that is conducted under a license secured pursuant to section
15 4-203.02 or 4-203.03.

16 21. For a person to have possession of or to transport spirituous
17 liquor ~~which~~ THAT is manufactured in a distillery, winery, brewery or
18 rectifying plant contrary to the laws of the United States and this state.
19 Any property used in transporting such spirituous liquor shall be forfeited
20 to the state and shall be seized and disposed of as provided in section
21 4-221.

22 22. For an on-sale retailer or employee to allow a person under the
23 legal drinking age to remain in an area on the licensed premises during those
24 hours in which its primary use is the sale, dispensing or consumption of
25 alcoholic beverages after the licensee, or the licensee's employees, know or
26 should have known that the person is under the legal drinking age. An
27 on-sale retailer may designate an area of the licensed premises as an area in
28 which spirituous liquor will not be sold or consumed for the purpose of
29 allowing underage persons on the premises if the designated area is separated
30 by a physical barrier and at no time will underage persons have access to the
31 area in which spirituous liquor is sold or consumed. A licensee or an
32 employee of a licensee may require a person who intends to enter a licensed
33 premises or a portion of a licensed premises where persons under the legal
34 drinking age are prohibited under this section to exhibit a written
35 instrument of identification that is acceptable under section 4-241 as a
36 condition of entry. The director, or a municipality, may adopt rules to
37 regulate the presence of underage persons on licensed premises provided the
38 rules adopted by a municipality are more stringent than those adopted by the
39 director. The rules adopted by the municipality shall be adopted by local
40 ordinance and shall not interfere with the licensee's ability to comply with
41 this paragraph. This paragraph does not apply:

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

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

4 (i) An active duty military service member.

5 (ii) A veteran.

6 (iii) A member of the United States army national guard or the United
7 States air national guard.

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

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

11 23. For an on-sale retailer or employee to conduct drinking contests,
12 to sell or deliver to a person an unlimited number of spirituous liquor
13 beverages during any set period of time for a fixed price, to deliver more
14 than ~~forty~~ FIFTY ounces of beer, one liter of wine or four ounces of
15 distilled spirits in any spirituous liquor drink to one person at one time
16 for that person's consumption or to advertise any practice prohibited by this
17 paragraph. The provisions of this paragraph do not prohibit an on-sale
18 retailer or employee from selling and delivering an opened, original
19 container of distilled spirits if:

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

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

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

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

31 26. For a licensee or employee to knowingly permit unlawful gambling on
32 the premises.

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

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

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

1 (a) Hotel or motel guest room accommodations.

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

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

7 30. For a licensee or employee to knowingly permit a person in
8 possession of a firearm other than a peace officer or a member of a sheriff's
9 volunteer posse while on duty who has received firearms training that is
10 approved by the Arizona peace officer standards and training board, the
11 licensee or an employee of the licensee acting with the permission of the
12 licensee to remain on the licensed premises or to serve, sell or furnish
13 spirituous liquor to a person in possession of a firearm while on the
14 licensed premises of an on-sale retailer. It shall be a defense to action
15 under this paragraph if the licensee or employee requested assistance of a
16 peace officer to remove such person. This paragraph shall not apply to:

17 (a) Hotel or motel guest room accommodations.

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

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

23 31. For any person in possession of a firearm while on the licensed
24 premises of an on-sale retailer to consume spirituous liquor. This paragraph
25 does not prohibit the consumption of small amounts of spirituous liquor by an
26 undercover peace officer on assignment to investigate the licensed
27 establishment.

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

31 (a) A person who removes a bottle of wine ~~which~~ THAT has been
32 partially consumed in conjunction with a purchased meal from licensed
33 premises if a cork is inserted flush with the top of the bottle or the bottle
34 is otherwise securely closed.

35 (b) A person who is in licensed premises that have noncontiguous
36 portions that are separated by a public or private walkway or driveway and
37 who takes spirituous liquor from one portion of the licensed premises across
38 the public or private walkway or driveway directly to the other portion of
39 the licensed premises.

40 (c) A LICENSEE OF a bar, beer and wine bar, liquor store, beer and
41 wine store, ~~or~~ microbrewery ~~licensee~~ OR RESTAURANT THAT HAS A PERMIT PURSUANT
42 TO SECTION 4-205.02, SUBSECTION H who dispenses beer only in a clean
43 container composed of a material approved by a national sanitation
44 organization with a maximum capacity that does not exceed one gallon and not
45 for consumption on the premises if:

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

3 (ii) The container is sealed ~~with a plastic adhesive~~ and displays a
4 government warning label.

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

7 ~~The department shall review the effects of this subdivision and submit a~~
8 ~~report by July 1, 2015 on the effects of this subdivision to the governor,~~
9 ~~the speaker of the house of representatives and the president of the senate.~~
10 ~~The department shall provide a copy of this report to the secretary of state.~~

11 33. For a person who is obviously intoxicated to buy or attempt to buy
12 spirituous liquor from a licensee or employee of a licensee or to consume
13 spirituous liquor on licensed premises.

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

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

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

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

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

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

32 40. For a retailer to knowingly allow a customer to bring spirituous
33 liquor onto the licensed premises, except that an on-sale retailer may allow
34 a wine and food club to bring wine onto the premises for consumption by the
35 club's members and guests of the club's members in conjunction with meals
36 purchased at a meeting of the club that is conducted on the premises and that
37 at least seven members attend. An on-sale retailer who allows wine and food
38 clubs to bring wine onto its premises under this paragraph shall comply with
39 all applicable provisions of this title and any rules adopted pursuant to
40 this title to the same extent as if the on-sale retailer had sold the wine to
41 the members of the club and their guests. For the purposes of this
42 paragraph, "wine and food club" means an association that has more than
43 twenty bona fide members paying at least six dollars per year in dues and
44 that has been in existence for at least one year.

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

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

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

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

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

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

18 43. For a person to purchase, offer for sale or use any device, machine
19 or process ~~which~~ THAT mixes spirituous liquor with pure oxygen or another gas
20 to produce a vaporized product for the purpose of consumption by inhalation
21 or to allow patrons to use any item for the consumption of vaporized
22 spirituous liquor.

23 44. For a retail licensee or an employee of a retail licensee to sell
24 spirituous liquor to a person if the retail licensee or employee knows the
25 person intends to resell the spirituous liquor.

26 45. Except as authorized by paragraph 32, subdivision (c) of this
27 section, for a person to reuse a bottle or other container authorized for use
28 by the laws of the United States or any agency of the United States for the
29 packaging of distilled spirits or for a person to increase the original
30 contents or a portion of the original contents remaining in a liquor bottle
31 or other authorized container by adding any substance.

32 Sec. 15. Section 4-251, Arizona Revised Statutes, is amended to read:

33 4-251. Spirituos liquor in motor vehicles; prohibitions;
34 violation; classification; exceptions; definitions

35 A. It is unlawful for any person to:

36 1. Consume spirituous liquor while operating or while within the
37 passenger compartment of a motor vehicle that is located on any public
38 highway or right-of-way of a public highway in this state.

39 2. Possess an open container of spirituous liquor within the passenger
40 compartment of a motor vehicle that is located on any public highway or
41 right-of-way of a public highway in this state.

42 B. A person who violates subsection A of this section is guilty of a
43 class 2 misdemeanor.

44 C. This section does not apply to:

45 1. A passenger in any bus, limousine, ~~or~~ taxi OR TRANSPORTATION
46 NETWORK COMPANY VEHICLE AS DEFINED IN SECTION 28-9551 WHILE THE VEHICLE IS

1 BEING USED TO PROVIDE TRANSPORTATION NETWORK SERVICES AS DEFINED IN SECTION
2 28-9551.

3 2. A passenger in the living quarters of a motor home as defined in
4 section 28-4301.

5 D. For the purposes of this section:

6 1. "Motor vehicle" means any vehicle that is driven or drawn by
7 mechanical power and that is designed primarily for use on public highways.
8 Motor vehicle does not include a vehicle operated exclusively on rails.

9 2. "Open container" means any bottle, can, jar, CONTAINER DISPENSED
10 PURSUANT TO SECTION 4-244, PARAGRAPH 32, SUBDIVISION (c) or other receptacle
11 that contains spirituous liquor and that has been opened, has had its seal
12 broken or the contents of which have been partially removed.

13 3. "Passenger compartment" means the area of a motor vehicle designed
14 for the seating of the driver and other passengers of the vehicle. Passenger
15 compartment includes an unlocked glove compartment and any unlocked portable
16 devices within the immediate reach of the driver or any passengers.
17 Passenger compartment does not include the trunk, a locked glove compartment
18 or the area behind the last upright seat of a motor vehicle that is not
19 equipped with a trunk.

20 4. "Public highway or right-of-way of a public highway" means the
21 entire width between and immediately adjacent to the boundary lines of every
22 way maintained by the federal government, this state or a county, city or
23 town if any part of the way is generally open to the use of the public for
24 purposes of vehicular travel.

APPROVED BY THE GOVERNOR MAY 11, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 11, 2016.