

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

SB 1397

Introduced by
Senator McComish

AN ACT

AMENDING SECTIONS 4-101, 4-112, 4-201.01, 4-203, 4-203.01, 4-203.02, 4-203.03, 4-203.04, 4-205.03, 4-205.04, 4-205.05 AND 4-205.08, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 4-205.10 AND 4-205.11; AMENDING SECTIONS 4-206.01, 4-207, 4-209, 4-210, 4-212, 4-226, 4-227, 4-229, 4-241, 4-242, 4-243, 4-243.01, 4-243.02, 4-244, 4-244.04, 4-246, 4-250.01, 42-3001, 42-3355 AND 42-3356, ARIZONA REVISED STATUTES; RELATING TO SPIRITUOUS LIQUOR LICENSES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 4-101, Arizona Revised Statutes, is amended to
3 read:

4 4-101. Definitions

5 In this title, unless the context otherwise requires:

6 1. "Act of violence" means an incident consisting of a riot, a brawl
7 or a disturbance, in which bodily injuries are sustained by any person and
8 such injuries would be obvious to a reasonable person, or tumultuous conduct
9 of sufficient intensity as to require the intervention of a peace officer to
10 restore normal order, or an incident in which a weapon is brandished,
11 displayed or used. Act of violence does not include the use of nonlethal
12 devices by a peace officer.

13 2. "Aggrieved party" means a person who resides at, owns or leases
14 property within a one mile radius of a premises proposed to be licensed and
15 who filed a written request with the department to speak in favor of or
16 opposition to the issuance of the license no later than sixty days after the
17 filing of the application or fifteen days after action by the local governing
18 body, whichever is later.

19 3. "Beer" means any beverage obtained by the alcoholic fermentation,
20 infusion or decoction of barley malt, hops, or other ingredients not
21 drinkable, or any combination of them.

22 4. "Board" means the state liquor board.

23 5. "Bona fide guest" means:

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

27 (b) In the case of a club that meets the criteria prescribed in
28 paragraph 7, subdivision (a) of this section, a current member of the armed
29 services of the United States who presents proper military identification and
30 any member of a recognized veterans' organization of the United States and of
31 any country allied with the United States during current or past wars or
32 through treaty arrangements.

33 6. "Broken package" means any container of spirituous liquor on which
34 the United States tax seal has been broken or removed, or from which the cap,
35 cork or seal placed thereupon by the manufacturer has been removed.

36 7. "Club" includes any of the following organizations where the sale
37 of spirituous liquor for consumption on the premises is made to members only:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35 27. "Registered mail" includes certified mail.

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

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

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

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

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

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

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

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

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

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

26 4-112. Powers and duties of board and director of department of
27 liquor licenses and control; investigations; county
28 and municipal regulation

29 A. The board shall:

30 1. Grant and deny applications ~~in accordance with the provisions of~~
31 ACCORDING TO this title.

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

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

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

36 1. Adopting rules:

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

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

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

42 (d) For the issuance and revocation of certificates of registration of
43 retail agents, including provisions governing the shipping, storage and
44 delivery of spirituous liquors by registered retail agents, the keeping of
45 records and the filing of reports by registered retail agents.

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

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

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

10 4. Providing the board with such supplies and personnel as may be
11 directed by the board.

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

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

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

24 C. The director shall establish within the department a separate
25 investigations unit ~~which~~ THAT has as its sole responsibility the
26 investigation of compliance with this title, including the investigation of
27 licensees alleged to have sold or distributed spirituous liquor in any form
28 to persons under the legal drinking age. Investigations conducted by this
29 unit may include covert undercover investigations.

30 D. All employees of the department of liquor licenses and control,
31 except members of the state liquor board and the director of the department,
32 shall be employed by the department in the manner prescribed by the
33 department of administration.

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

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

1 director may serve subpoenas by personal service or certified mail, return
2 receipt requested.

3 G. The director may:

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

5 2. Require applicants, licensees, employees who serve, sell or furnish
6 spirituous liquors to retail customers, managers and managing agents to take
7 training courses approved by the director in spirituous liquor handling and
8 spirituous liquor laws and rules. The director shall adopt rules that set
9 standards for approving training courses. The department's licensed
10 investigators may participate and receive compensation as lecturers at
11 approved training courses within this state's jurisdiction that are conducted
12 by other entities but shall not participate in in-house training programs for
13 licensees. THIS PARAGRAPH DOES NOT APPLY IF THE EMPLOYEE IS NOT DESIGNATED
14 AS A PERSON IN CHARGE OF THE LICENSED PREMISES AND IF ANY OF THE FOLLOWING
15 APPLIES:

16 (a) THE EMPLOYEE IS NOT DIRECTLY INVOLVED IN THE SALE OR SERVICE OF
17 SPIRITUOUS LIQUOR.

18 (b) THE EMPLOYEE'S ONLY INVOLVEMENT IN THE SALE OR SERVICE OF
19 SPIRITUOUS LIQUOR IS RESTOCKING AREAS IN WHICH SPIRITUOUS LIQUOR IS STORED OR
20 SOLD.

21 (c) THE EMPLOYEE IS EMPLOYED BY A HOTEL-MOTEL LICENSEE UNDER SECTION
22 4-205.01 AND THE EMPLOYEE'S ONLY INVOLVEMENT IN THE SALE OR SERVICE OF
23 SPIRITUOUS LIQUOR IS RESTOCKING IN-ROOM REFRIGERATORS.

24 (d) THE EMPLOYEE'S ONLY INVOLVEMENT IN THE SALE OR SERVICE OF
25 SPIRITUOUS LIQUOR IS CLEANING PORTIONS OF THE LICENSED PREMISES WHERE
26 SPIRITUOUS LIQUOR IS SERVED OR CONSUMED.

27 (e) THE EMPLOYEE'S DUTIES DO NOT REGULARLY REQUIRE THE EMPLOYEE TO
28 HAVE DIRECT INTERACTION WITH OR OVERSEE THE ACTIVITIES OF PATRONS OF THE
29 LICENSEE.

30 (f) THE EMPLOYEE'S DUTIES ARE REGULARLY PERFORMED IN PORTIONS OF THE
31 LICENSED PREMISES THAT ARE NOT OPEN TO THE GENERAL PUBLIC.

32 3. Delegate to employees of the department authority to exercise
33 powers of the director in order to administer the department.

34 4. Regulate signs that advertise a spirituous liquor product at
35 licensed retail premises.

36 5. Cause to be removed from the marketplace spirituous liquor that may
37 be contaminated.

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

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

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

4 9. Accept and expend private grants of monies, gifts and devises for
5 conducting educational programs for parents and students on the repercussions
6 of underage alcohol consumption. State general fund monies shall not be
7 expended for the purposes of this paragraph. If the director does not
8 receive sufficient monies from private sources to carry out the purposes of
9 this paragraph, the director shall not provide the educational programs
10 prescribed in this paragraph. Grant monies received pursuant to this
11 paragraph are nonlapsing and do not revert to the state general fund at the
12 close of the fiscal year.

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

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

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

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

25 4-201.01. Extending time limits

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

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

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

2 4-203. Licenses; issuance; transfer; reversion to state

3 A. A spirituous liquor license shall be issued only after satisfactory
4 showing of the capability, qualifications and reliability of the applicant
5 and, with the exception of wholesaler, producer, government or club
6 licensees, that the public convenience requires and that the best interest of
7 the community will be substantially served by the issuance. If an
8 application is filed FOR THE REPLACEMENT OF A TRANSFERRABLE LICENSE OR for
9 the issuance of a nontransferable license, other than for a microbrewery
10 license or a ~~domestic~~ farm winery license, for a location that on the date
11 the application is filed has a valid license of the same series, OR FOR THE
12 REPLACEMENT OF A HOTEL-MOTEL LICENSE WITH A RESTAURANT LICENSE, issued at
13 that location, there shall be a rebuttable presumption that the public
14 convenience and best interest of the community at that location was
15 established at the time the location was previously licensed. The
16 presumption may be rebutted by competent contrary evidence. The presumption
17 shall not apply once the licensed location has not been in use for more than
18 one hundred eighty days and the presumption shall not extend to the personal
19 qualifications of the applicant.

20 B. The license shall be to manufacture, sell or deal in spirituous
21 liquors only at the place and in the manner provided in the license. A
22 separate license shall be issued for each specific business, and each shall
23 specify:

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

26 2. The place of business for which issued.

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

28 C. A spirituous liquor license issued to a bar, a liquor store or a
29 beer and wine bar shall be transferable as to any permitted location within
30 the same county, provided such transfer meets the requirements of an original
31 application. ~~Such~~ A spirituous liquor license may be transferred to a person
32 qualified to be a licensee, provided such transfer is pursuant to either
33 judicial decree, nonjudicial foreclosure of a legal or equitable lien,
34 including security interests held by financial institutions pursuant to
35 section ~~4-204~~ 4-205.05, a sale of the license, a bona fide sale of the entire
36 business and stock in trade, or such other bona fide transactions as may be
37 provided for by rule. Any change in ownership of the business of a licensee,
38 directly or indirectly, as defined by rule is deemed a transfer.

39 D. All applications for a new license pursuant to section 4-201 or for
40 a transfer to a new location pursuant to subsection C of this section shall
41 be filed with and determined by the director, except when the governing body
42 of the city or town or the board of supervisors receiving ~~such~~ AN application
43 pursuant to section 4-201 orders disapproval of ~~such~~ THE application or makes
44 no recommendation or when the director, the state liquor board or any
45 aggrieved party requests a hearing. ~~Such~~ THE application shall then be

1 presented to the state liquor board, and the new license or transfer shall
2 not become effective unless approved by the state liquor board.

3 E. A person who assigns, surrenders, transfers or sells control of a
4 liquor license or business ~~which~~ THAT has a spirituous liquor license shall
5 notify the director within thirty business days after the assignment,
6 surrender, transfer or sale. No spirituous liquor license shall be leased or
7 subleased. A concession agreement entered into under section 4-205.03 OR A
8 MANAGEMENT AGREEMENT ENTERED INTO UNDER SECTION 4-205.10 is not considered a
9 lease or sublease in violation of this section.

10 F. If a person other than those persons originally licensed acquires
11 control over a license or licensee, the person shall file notice of the
12 acquisition with the director within thirty business days after ~~such~~ THE
13 acquisition of control and a list of officers, directors or other controlling
14 persons on a form prescribed by the director. All officers, directors or
15 other controlling persons shall meet the qualifications for licensure as
16 prescribed by this title. On request, the director shall conduct a
17 preinvestigation before the assignment, sale or transfer of control of a
18 license or licensee, the reasonable costs of which, not to exceed one
19 thousand dollars, shall be borne by the applicant. The preinvestigation
20 shall determine whether the qualifications for licensure as prescribed by
21 this title are met. On receipt of notice of an acquisition of control or
22 request of a preinvestigation, the director shall forward the notice within
23 fifteen days to the local governing body of the city or town, if the licensed
24 premises is in an incorporated area, or the county, if the licensed premises
25 is in an unincorporated area. The local governing body of the city, town or
26 county may protest the acquisition of control within sixty days based on the
27 capability, reliability and qualification of the person acquiring control.
28 If the director does not receive any protests, the director may protest the
29 acquisition of control or approve the acquisition of control based on the
30 capability, reliability and qualification of the person acquiring control.
31 Any protest shall be set for a hearing before the board. Any transfer shall
32 be approved or disapproved within one hundred five days of the filing of the
33 notice of acquisition of control. The person who has acquired control of a
34 license or licensee has the burden of an original application at the hearing,
35 and the board shall make its determination pursuant to section 4-202 and this
36 section with respect to capability, reliability and qualification.

37 G. A licensee who holds a license in nonuse status for more than five
38 months shall be required to pay a one hundred dollar surcharge for each month
39 thereafter. The surcharge shall be paid at the time the license is returned
40 to active status. A license automatically reverts to the state after being
41 held in continuous nonuse in excess of thirty-six months. The director may
42 waive the surcharge and may extend the time period provided in this
43 subsection for good cause. A license shall not be deemed to have gone into
44 active status if the license is transferred to a location that at the time of

1 or immediately before the transfer had an active license of the same type,
2 unless the licenses are under common ownership or control.

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

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

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

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

15 J. Notwithstanding subsection B of this section, the holder of a
16 retail license having off-sale privileges may deliver spirituous liquor off
17 of the licensed premises in connection with the sale of spirituous liquor.
18 The licensee may maintain a delivery service and shall be liable for any
19 violation committed in connection with any sale or delivery of spirituous
20 liquor, provided that such delivery is made by an employee who is at least
21 twenty-one years of age. The retail licensee shall collect payment for the
22 price of the spirituous liquor no later than at the time of delivery. The
23 director shall adopt rules that set operational limits for the delivery of
24 spirituous liquors by the holder of a retail license having off-sale
25 privileges. For the purposes of this subsection, an independent contractor
26 or the employee of an independent contractor is deemed to be an employee of
27 the licensee when making a sale or delivery of spirituous liquor for the
28 licensee.

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

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

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

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

43 O. If a licensed location has not been in use for two years, the
44 location must requalify for a license pursuant to subsection A of this
45 section and shall meet the same qualifications required for issuance of a new

1 license except when the director deems that the nonuse of the location was
2 due to circumstances beyond the licensee's control.

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

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

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

12 4-203.01. Interim permit; fee; rules

13 A. The director may issue an interim permit to the applicant for a
14 license of the same series, **OR FOR THE REPLACEMENT OF A HOTEL-MOTEL LICENSE**
15 **WITH A RESTAURANT LICENSE**, at the same premises whether that license is
16 transferrable or nontransferable and any of the following conditions exists:

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

19 2. The license for such premises was surrendered pursuant to rules of
20 the department.

21 3. The applicant for the interim permit filed with the department an
22 application for the issuance of a license of the same series of
23 nontransferable license or the transfer or replacement of a transferable
24 license of the same series, **OR FOR THE REPLACEMENT OF A HOTEL-MOTEL LICENSE**
25 **WITH A RESTAURANT LICENSE**, at the same premises.

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

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

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

39 1. No interim permit has previously been issued.

40 2. For good cause shown the director denies the additional interim
41 permit.

42 E. Notwithstanding any other ~~provision of~~ law, an interim permit may
43 be canceled or suspended summarily at any time, if the director determines
44 that good cause for such cancellation or suspension exists. There shall be
45 no appeal from such cancellation or suspension of an interim permit to the

1 board. The board may cancel an interim permit on applications that have been
2 disapproved by the board. The cancellation or suspension of an interim
3 permit may be appealed directly to the superior court.

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

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

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

14 I. The director may deny an interim permit in situations in which a
15 current licensee holds a license described in section 4-209, subsection B,
16 paragraph 12 and the current license is not in compliance with section
17 4-205.02.

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

20 4-203.02. Special event license; rules

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

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

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

32 B. BEFORE THE DIRECTOR MAY ISSUE A TEMPORARY SPECIAL EVENT LICENSE, A
33 SPECIAL EVENT THAT IS TO OCCUR AT AN OTHERWISE UNLICENSED LOCATION MUST BE
34 APPROVED BY THE BOARD OF SUPERVISORS OF A COUNTY IF THE EVENT IS TO BE HELD
35 IN AN UNINCORPORATED AREA OR BY THE GOVERNING BODY OF THE CITY OR TOWN IF THE
36 EVENT IS TO BE HELD IN A CITY OR TOWN.

37 C. THE APPROVAL PROCESS PRESCRIBED IN THIS SECTION DOES NOT APPLY TO
38 PHYSICAL LOCATIONS THAT ARE LICENSED PURSUANT TO THIS TITLE.

39 D. THE APPROVAL PROCESS PRESCRIBED IN THIS SECTION DOES NOT APPLY TO
40 PHYSICAL LOCATIONS THAT ARE NOT LICENSED PURSUANT TO THIS TITLE IF THE
41 PHYSICAL LOCATIONS ARE OWNED, OPERATED, LEASED, MANAGED OR CONTROLLED BY THE
42 UNITED STATES, THIS STATE OR A CITY, TOWN OR COUNTY OF THIS STATE.

43 E. A PHYSICAL LOCATION THAT IS NOT LICENSED PURSUANT TO THIS TITLE MAY
44 NOT BE ISSUED MORE THAN TEN SPECIAL EVENT LICENSES DURING THE SAME CALENDAR
45 YEAR. ALL APPLICATIONS FOR A SPECIAL EVENT LICENSE ISSUED PURSUANT TO THIS

1 SUBSECTION MUST BE SUBMITTED TO THE DEPARTMENT AT LEAST TEN DAYS BEFORE THE
2 SCHEDULED EVENT.

3 ~~B.~~ F. The director may only issue the special event license to a
4 political party or campaign committee supporting a candidate for public
5 office or a ballot measure, an organization formed for a specific charitable
6 or civic purpose, a fraternal organization in existence for over five years
7 with a regular membership or a religious organization.

8 G. THE DIRECTOR MAY ISSUE A SPECIAL EVENT LICENSE CONCURRENTLY WITH A
9 WINE FESTIVAL LICENSE AND MAY APPROVE THE LOCATION OF THE WINE FESTIVAL
10 LICENSE WITHIN AN EXCLUDED AREA OF A SPECIAL EVENT LICENSE.

11 ~~G.~~ H. An organization selling spirituous liquor under a special event
12 license ~~pursuant to subsection A, paragraph 1 of this section~~ shall purchase
13 ~~such~~ THE spirituous liquor from ~~the holder of a license authorized to sell~~
14 ~~off-sale~~ A LICENSED WHOLESALER, or, in the case of a nonprofit organization
15 ~~which~~ THAT has obtained a special event license for the purpose of charitable
16 fund-raising activities, the nonprofit organization may receive the
17 spirituous liquor from a wholesaler OR PRODUCER as a donation, except that a
18 licensee licensed pursuant to subsection A, paragraph 2 of this section may
19 receive spirituous liquor from a donor when the donor receives no
20 remuneration or payment of any kind, directly or indirectly, other than any
21 tax benefits that might result.

22 ~~D.~~ I. An organization that is issued a license pursuant to subsection
23 A, paragraph 2 of this section shall receive at least seventy-five per cent
24 of the gross receipts of the auction. Up to twenty-five per cent of the
25 gross receipts of a special event auction conducted pursuant to subsection A,
26 paragraph 2 of this section may be used to pay reasonable and necessary
27 expenses incurred in connection with the auction. All expenses shall be
28 supported by written contracts, invoices or receipts, which shall be made
29 available to the director on request.

30 ~~E.~~ J. The director may adopt those rules the director determines are
31 necessary to implement and administer this section including a limitation on
32 the number of times during a calendar year a qualified organization may apply
33 for and be issued a license under this section. The qualified organization
34 issued a license pursuant to subsection A, paragraph 1 of this section must
35 receive at least twenty-five per cent of the gross revenues of ALL SPIRITUOUS
36 LIQUOR SOLD AT the special events, which shall be supported by a contract
37 between the parties to be supplied at the time of application.

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

41 ~~G.~~ L. Section 4-201 does not apply to the licenses provided for under
42 this section.

43 ~~H.~~ M. A licensed wholesaler may donate spirituous liquor directly to
44 an organization that is issued a license pursuant to subsection A OF THIS
45 SECTION. The licensed wholesaler shall in such instances issue a net zero

1 cost billing invoice in the name of the special event licensee. All
2 licensees making or receiving spirituous liquor donations remain subject to
3 the applicable limitations and requirements set forth in this title and in
4 the rules ~~promulgated~~ ADOPTED by the department.

5 ~~I.~~ N. A licensed wholesaler may temporarily leave a delivery vehicle
6 and other items of equipment necessary for the sale or service of spirituous
7 liquor on the premises of a licensed special event for the duration of the
8 event and up to one business day before and after the event.

9 ~~J.~~ O. A licensed wholesaler may leave spirituous liquor products at a
10 special event if the products are properly described on a preliminary billing
11 invoice from the wholesaler that is issued in the name of ~~the off-sale~~
12 ~~retailer which also names~~ the special event licensee. The licensed
13 wholesaler has up to five business days after the special event ends to make
14 any necessary billing adjustments and issue a final billing invoice to ~~the~~
15 ~~off-sale retailer which also names~~ the special event licensee.

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

18 4-203.03. Wine festival license; wine fair license; fee

19 A. The director, subject to the approval of the board of supervisors
20 for events to be held in an unincorporated area or the governing body of a
21 city or town for events to be held in a city or town, may issue up to
22 ~~twenty-five~~ THIRTY wine festival licenses for each calendar year for each
23 licensed ~~domestic~~ farm winery, for up to a total of ~~seventy-five~~ NINETY
24 calendar days per winery, authorizing sampling of ~~domestic~~ farm winery
25 products on the wine festival premises, the sale of ~~such~~ THE products for
26 consumption on the wine festival premises and the sale of ~~such~~ THE products
27 in original containers for consumption off the wine festival premises. The
28 fee for a ~~domestic~~ farm winery wine festival license is fifteen dollars PER
29 DAY for each event.

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

32 C. With the permission of the fair organizers, any ~~domestic~~ farm
33 winery is authorized to allow sampling of ~~domestic~~ farm winery products on
34 the fair premises, the sale of ~~such~~ THE products for consumption on the fair
35 premises and the sale of ~~such~~ THE products in original containers for
36 consumption off of the fair premises at any sanctioned county or state fair.
37 The fee for a ~~domestic~~ farm winery fair license is fifteen dollars PER DAY
38 for each event.

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

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

3 4-203.04. Direct shipment license; issuance; fee; requirements;
4 penalties; cease and desist orders

5 A. The director may issue a direct shipment license to a person who is
6 engaged in business as a distiller, vintner, brewer, rectifier, blender or
7 other producer of spirituous liquor if the person is licensed in the state
8 where the person's principal place of business is located and the director
9 determines that the person is capable and reliable and is qualified to hold a
10 direct shipment license.

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

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

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

20 3. A complete and full disclosure by the applicant and by any officer,
21 director, administrator or controlling person of the applicant of any
22 criminal convictions in any state or foreign jurisdiction within the five
23 years immediately preceding the application.

24 4. The names and addresses of the wholesalers licensed in this state
25 through which the applicant will ship spirituous liquor into or within this
26 state.

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

31 6. A statement that the applicant acknowledges that shipments by the
32 applicant of spirituous liquor into or within this state contrary to this
33 section will result in the immediate suspension of the applicant's direct
34 shipment license.

35 C. The director may refuse to issue a direct shipment license for good
36 cause. After a hearing, the director may suspend or revoke a direct shipment
37 license for good cause. The director shall not issue a direct shipment
38 license to any person who:

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

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

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

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

9 F. A person who holds a direct shipment license shall ensure that
10 shipments of spirituous liquor pursuant to this section are made in
11 conformance with all applicable provisions of this title and rules adopted
12 pursuant to this title. A direct shipment licensee who violates this title
13 or rules adopted pursuant to this title is subject to a civil or criminal
14 penalty and suspension or revocation of the person's license.

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

21 H. The licensed retailer shall deliver the spirituous liquor or shall
22 arrange for the delivery of the spirituous liquor to the person who placed
23 the order and shall collect and pay to the department of revenue all
24 transaction privilege taxes imposed pursuant to title 42, chapter 5. The
25 retailer shall:

26 1. Ensure that:

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

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

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

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

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

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

41 (b) The date and time of delivery.

42 (c) The address where the delivery occurred.

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

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

1 (f) The printed name and signature of the person accepting the
2 delivery, along with the type and serial number of the written identification
3 the person accepting delivery presented.

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

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

7 I. If the director has reasonable cause to believe that a person who
8 is licensed pursuant to this section is acting in violation of this section,
9 the director may serve a cease and desist order requiring the person to cease
10 and desist the violation. The director may impose a civil penalty of not
11 more than one hundred fifty thousand dollars against a person who knowingly
12 violates a cease and desist order issued pursuant to this section.

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

15 1. The wine was purchased while the purchaser was physically present
16 at the winery.

17 2. The purchaser of the wine provided the winery verification of legal
18 age to purchase alcohol.

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

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

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

25 6. The purchaser could have carried the wine lawfully into or within
26 this state.

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

29 K. Section 4-201 does not apply to licenses issued pursuant to this
30 section.

31 L. COMMON CARRIERS THAT SHIP SPIRITUOUS LIQUOR IN THIS STATE SHALL:

32 1. KEEP COMPLETE, ACCURATE AND SEPARATE RECORDS OF SPIRITUOUS LIQUOR
33 SOLD AND SHIPPED TO PERSONS IN THIS STATE.

34 2. ON REQUEST OF THE DEPARTMENT, REMIT AN ACCURATE ACCOUNTING THAT
35 STATES WHETHER ANY SPIRITUOUS LIQUOR WAS SHIPPED INTO THIS STATE AND, IF SO,
36 THE QUANTITIES AND THE PRICE CHARGED. THIS ACCOUNTING MUST ALSO INCLUDE THE
37 NAME AND ADDRESS OF THE PURCHASERS TO WHOM THE SPIRITUOUS LIQUOR WAS SHIPPED.

38 Sec. 9. Section 4-205.03, Arizona Revised Statutes, is amended to
39 read:

40 4-205.03. Government license; issuance; regulatory provisions;
41 agreements with coliseum concessionaires;
42 definitions

43 A. The department may issue a government license to any STATE AGENCY,
44 STATE BOARD, STATE COMMISSION, county, city, town, community college or state
45 university ~~or~~, THE national guard or the Arizona exposition and state fair

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

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

20 C. The holder of a government license may sell and serve spirituous
21 liquors solely for consumption on the premises for which the license is
22 issued. A separate license is required for each premises on which spirituous
23 liquors are served. A single premises licensed under this section may
24 consist of not more than one dock area that is designated by a city or town
25 and that is situated on a lake owned by the city or town and not more than
26 thirty boats that are operated on the lake. A dock and boats that comprise a
27 premises under this subsection shall be operated in compliance with
28 subsection G of this section.

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

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

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

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

42 2. Post a surety bond in favor of this state in an amount determined
43 by the Arizona exposition and state fair board to be sufficient to indemnify
44 this state against the potential liability or name this state as an
45 additional insured in a liability policy that provides sufficient coverage to

1 indemnify this state as determined by the Arizona exposition and state fair
2 board.

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

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

7 2. Liquor shall not be served or consumed on the dock. Liquor shall
8 not be served on a boat earlier than fifteen minutes before the boat is
9 scheduled to depart from the dock and shall not be served after a boat
10 returns to the dock.

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

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

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

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

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

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

28 H. For the purposes of this section:

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

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

36 3. "Community college" has the same meaning prescribed in section
37 15-1401.

38 4. "State university" means institutions as described in section
39 15-1601.

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

42 4-205.04. Farm winery license; issuance; regulatory provisions;
43 retail site; fee

44 A. The director may issue a ~~domestic~~ farm winery license to any person
45 who meets the requirements of subsection C of this section. Each location

1 that engages in producing and bottling these products must obtain a separate
 2 ~~domestic~~ farm winery license. The licensee may not transfer the ~~domestic~~
 3 farm winery license from person to person or from location to location.

4 B. An applicant for a ~~domestic~~ farm winery license, at the time of
 5 filing the application for the license, shall accompany the application with
 6 the license fee. Persons holding a ~~domestic~~ farm winery license shall report
 7 annually at the end of each ~~fiscal~~ CALENDAR year, at such time and in such
 8 manner as the director may prescribe, the amount of wine PRODUCED OR
 9 manufactured by them during the ~~fiscal~~ CALENDAR year. If the total amount of
 10 wine manufactured during the year exceeds the amount permitted annually by
 11 the license, the licensee shall apply for and receive a producer's license ON
 12 SURRENDER OF THE FARM WINERY LICENSE OR LICENSES.

13 C. A person may be licensed as a ~~domestic~~ farm winery to sell wine
 14 produced or manufactured if in a calendar year it produces at least two
 15 hundred gallons and not more than forty thousand gallons of wine IF THE
 16 WINERY EITHER HOLDS A WINERY PERMIT ISSUED BY THE UNITED STATES ALCOHOL AND
 17 TOBACCO TAX AND TRADE BUREAU OR MEETS THE DEFINITION AND CRITERIA FOR
 18 CLASSIFICATION PRESCRIBED IN SECTIONS 42-12151 AND 42-12152 WITH AT LEAST
 19 FIVE ACRES OF GRAPES OR FRUIT, OR BOTH, WITH A CONTRACT TO PROCESS FRUIT INTO
 20 WINE. ~~and~~ A WINERY may make sales and deliveries of wine only as
 21 specifically provided in this section and as follows:

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

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

26 3. A representative of the licensed ~~domestic~~ farm winery may consume
 27 small amounts of the products of the licensed ~~domestic~~ farm winery for the
 28 purpose of sampling the wine.

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

32 5. A licensed ~~domestic~~ farm winery may purchase and sell wine produced
 33 by another licensed ~~domestic~~ farm winery only if the retail sale is to a
 34 consumer physically present on the premises of the ~~domestic~~ farm winery,
 35 EXCEPT THAT THE SALES PERCENTAGE OF WINE PRODUCED BY ANOTHER WINERY MAY NOT
 36 EXCEED TWENTY-FIVE PER CENT OF THE FARM WINERY'S SALES.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 D. ON APPLICATION BY TWO OR MORE FARM WINERY LICENSEES, THE DIRECTOR
35 MAY APPROVE A GROUPING OF LICENSEES AT ONE LOCATION UNDER A PLAN OF
36 ALTERNATING PROPRIETORSHIPS IF THE HOST WINERY AND TENANT WINERIES HAVE
37 RECEIVED APPROVAL OF THE ALTERNATING PROPRIETORSHIP BY THE UNITED STATES
38 ALCOHOL AND TOBACCO TAX AND TRADE BUREAU AND THE HOST WINERY AND TENANT
39 WINERIES OPERATE UNDER THE REGULATIONS AND GUIDELINES THAT ARE ISSUED BY THE
40 UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU. EACH PARTICIPATING
41 WINERY SHALL BE RESPONSIBLE FOR FILING ALL REPORTS THAT RELATE TO ITS WINE
42 PRODUCTION WITH THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU
43 AND THE DEPARTMENT.

44 E. ON APPLICATION BY A FARM WINERY LICENSEE FILED TOGETHER WITH A COPY
45 OF THE WINERY'S REGISTRATION WITH THE UNITED STATES ALCOHOL AND TOBACCO TAX

1 AND TRADE BUREAU, THE DIRECTOR MAY APPROVE A CUSTOM CRUSH ARRANGEMENT WHERE A
2 WINERY CONDUCTS THE WINE PRODUCTION ON CONTRACT FOR ANOTHER LICENSED WINERY
3 THAT SUPPLIES THE GRAPES OR FRUIT FOR THE PRODUCTION. EACH PARTICIPATING
4 WINERY SHALL BE INDEPENDENTLY LICENSED BY THE UNITED STATES ALCOHOL AND
5 TOBACCO TAX AND TRADE BUREAU AND THE DEPARTMENT. THE CUSTOM CRUSH GALLONAGE
6 SHALL NOT BE ALLOCATED TO THE GALLONAGE OF THE FARM WINERY. EACH
7 PARTICIPATING WINERY SHALL BE RESPONSIBLE FOR FILING ALL REPORTS THAT RELATE
8 TO ITS WINE PRODUCTION WITH THE UNITED STATES ALCOHOL AND TOBACCO TAX AND
9 TRADE BUREAU AND THE DEPARTMENT.

10 F. ON APPLICATION BY A FARM WINERY LICENSEE, THE DIRECTOR MAY
11 AUTHORIZE A FARM WINERY LICENSEE TO OPERATE UP TO TWO REMOTE TASTING AND
12 RETAIL PREMISES:

13 1. THE PRODUCT SOLD AT THE REMOTE SITE IS STRICTLY LIMITED TO WINE
14 PRODUCED BY THE FARM WINERY AND CUSTOM CRUSH PRODUCTS PRODUCED BY THE FARM
15 WINERY.

16 2. THE FARM WINERY LICENSEE MEETS ALL OF THE FOLLOWING CONDITIONS:

17 (a) REMAINS RESPONSIBLE FOR THE TASTING ROOMS.

18 (b) OBTAINS APPROVAL FOR THE REMOTE TASTING ROOM FROM THE LOCAL
19 GOVERNING BODY BEFORE SUBMITTING AN APPLICATION TO THE DEPARTMENT. A COPY OF
20 AN ORDER FROM THE LOCAL GOVERNING BODY RECOMMENDING APPROVAL OF THE REMOTE
21 TASTING ROOM MUST BE FILED WITH THE DEPARTMENT AS PART OF THE APPLICATION.

22 (c) DOES NOT SUBLEASE THE REMOTE TASTING ROOM LOCATION.

23 (d) HAS AN AGENT WHO SHALL BE A NATURAL PERSON WHO MEETS THE
24 QUALIFICATIONS FOR LICENSURE IN THIS STATE.

25 (e) MEETS THE QUALIFICATIONS FOR A BEER AND WINE BAR PURSUANT TO
26 SECTION 4-206.01 AND 4-209.

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

35 ~~E.~~ H. A ~~domestic~~ farm winery that sells or delivers wine pursuant to
36 this section shall:

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

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

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

43 ~~G.~~ J. The director shall adopt rules in order to administer this
44 section.

1 K. THE DIRECTOR MAY CHARGE A FEE FOR THE ISSUANCE OF LICENSES OR
2 APPROVALS PURSUANT TO SUBSECTION D, E AND F OF THIS SECTION.

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

5 4-205.05. Disposal of seized or recovered liquor

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

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

24 Sec. 12. Section 4-205.08, Arizona Revised Statutes, is amended to
25 read:

26 4-205.08. Microbrewery license: issuance: regulatory
27 provisions: retail site

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

33 B. An applicant for a ~~domestic~~ microbrewery license, at the time of
34 filing the application for the license, shall accompany the application with
35 the license fee. Persons holding a ~~domestic~~ microbrewery license shall
36 report annually at the end of each calendar year, at such time and in such
37 manner as the director may prescribe, the amount of beer manufactured by them
38 during the calendar year and the amount delivered pursuant to subsection D,
39 paragraph 5, subdivision (b) OF THIS SECTION. If the total amount of beer
40 manufactured or delivered during the calendar year exceeds the amount
41 permitted annually by the license, the licensee shall apply for and receive a
42 producer's license. IF THE TOTAL AMOUNT OF BEER THAT IS PRODUCED OR
43 MANUFACTURED DURING THE YEAR EXCEEDS THE AMOUNT THAT IS PERMITTED ANNUALLY BY
44 THE LICENSEE, THE LICENSE SHALL APPLY FOR AND RECEIVE A PRODUCER'S LICENSE ON
45 SURRENDER OF THE MICROBREWERY LICENSE OR LICENSES.

- 1 C. Notwithstanding any other statute, a licensed ~~domestic~~ microbrewery
2 may:
- 3 1. Sell beer produced or manufactured on the premises for consumption
4 on or off the premises.
- 5 2. Make sales and deliveries of beer to persons licensed to sell beer
6 under this title through wholesalers licensed under this title or as provided
7 in subsection D, paragraph 5, subdivision (a) or (b) OF THIS SECTION.
- 8 3. Make sales and deliveries of beer to persons licensed to sell beer
9 in another state if lawful under the laws of that state.
- 10 4. Serve beer produced or manufactured on the premises for the purpose
11 of sampling the beer.
- 12 D. A licensed ~~domestic~~ microbrewery is subject to all of the following
13 requirements:
- 14 1. The microbrewery shall produce not less than five thousand gallons
15 of beer in each calendar year following the first year of operation.
- 16 2. The microbrewery shall not produce more than one million two
17 hundred forty thousand gallons of beer in a calendar year.
- 18 3. If retail operations are conducted in conjunction with the
19 microbrewery, these retail operations shall be conducted from the same site
20 as the location of the microbrewery.
- 21 4. The microbrewery may sell other spirituous liquor products if:
- 22 (a) The microbrewery holds an on-sale retail license.
- 23 (b) The retail sale of the spirituous liquor is on or adjacent to the
24 premises of the microbrewery.
- 25 5. The microbrewery may make sales and deliveries of beer that it has
26 produced to both:
- 27 (a) Retail licensees that are under common ownership with the
28 microbrewery in any amount.
- 29 (b) Other licensed retailers in an amount not to exceed ninety-three
30 thousand gallons in any calendar year.
- 31 E. A person who holds a ~~domestic~~ microbrewery license that meets the
32 requirements of this section and who is not otherwise engaged in the business
33 of a distiller, vintner, brewer, rectifier, blender or other producer of
34 spirituous liquor in any jurisdiction may hold other on-sale retail licenses.
35 Except as provided in subsection D, paragraph 5, subdivision (a) OF THIS
36 SECTION, the person shall purchase all spirituous liquor for sale at the
37 other on-sale retail premises from wholesalers ~~who~~ THAT are licensed in this
38 state.
- 39 F. A ~~domestic~~ microbrewery that sells or delivers beer pursuant to
40 this section shall:
- 41 1. Pay to the department of revenue all luxury taxes imposed pursuant
42 to title 42, chapter 3 and all transaction privilege or use taxes imposed
43 pursuant to title 42, chapter 5.
- 44 2. File all returns or reports required by law.

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

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

4 Sec. 13. Title 4, chapter 2, article 1, Arizona Revised Statutes, is
5 amended by adding sections 4-205.10 and 4-205.11, to read:

6 4-205.10. Unlicensed businesses; management agreement

7 A. THE OWNER OF A BUSINESS THAT IS NOT LICENSED PURSUANT TO THIS TITLE
8 MAY ENTER INTO A MANAGEMENT AGREEMENT IN WHICH AN INDEPENDENT BUSINESS ACTS
9 AS THE MANAGER AND APPLIES FOR AND OBTAINS AN ON-SALE LIQUOR LICENSE THAT
10 AUTHORIZES THE SALE AND SERVICE OF SPIRITUOUS LIQUOR ON THE OWNER'S PREMISES.

11 B. THIS SECTION DOES NOT PROHIBIT THE SALE AND SERVICE OF SPIRITUOUS
12 LIQUOR BY EMPLOYEES OF THE OWNER OR OPERATOR OF THE PREMISES WHO ACT UNDER
13 THE SUPERVISION OF THE MANAGER AS AN INDEPENDENT LICENSEE.

14 C. THIS SECTION DOES NOT PROHIBIT THE PAYMENT OF RENT, THE CALCULATION
15 OF RENT AS A PERCENTAGE OF GROSS RECEIPTS OR THE PAYMENT OF A PERCENTAGE OF
16 GROSS RECEIPTS FOR THE SALE OF SPIRITUOUS LIQUOR TO THE OWNER OR OPERATOR OF
17 THE PREMISES BY THE MANAGER AS AN INDEPENDENT LICENSEE.

18 4-205.11. Craft distiller license; issuance; regulatory
19 provisions; fee

20 A. THE DIRECTOR MAY ISSUE A CRAFT DISTILLER LICENSE TO ANY PERSON THAT
21 MEETS THE REQUIREMENTS OF SUBSECTION C OF THIS SECTION. EACH LOCATION THAT
22 ENGAGES IN PRODUCING AND BOTTLING THESE PRODUCTS MUST OBTAIN A SEPARATE CRAFT
23 DISTILLER LICENSE. THE LICENSEE MAY NOT TRANSFER THE CRAFT DISTILLER LICENSE
24 FROM PERSON TO PERSON OR FROM LOCATION TO LOCATION.

25 B. PERSONS HOLDING A CRAFT DISTILLER LICENSE SHALL REPORT ANNUALLY AT
26 THE END OF EACH FISCAL YEAR, AT SUCH TIME AND IN SUCH MANNER AS THE DIRECTOR
27 MAY PRESCRIBE, THE AMOUNT OF DISTILLED SPIRITS THAT IS PRODUCED AND
28 MANUFACTURED BY THAT LICENSEE DURING THE FISCAL YEAR. IF THE TOTAL AMOUNT OF
29 DISTILLED SPIRITS THAT IS PRODUCED OR MANUFACTURED DURING THE YEAR EXCEEDS
30 THE AMOUNT THAT IS PERMITTED ANNUALLY BY THE LICENSE, THE LICENSEE SHALL
31 APPLY FOR AND RECEIVE A PRODUCER'S LICENSE ON SURRENDER OF THE CRAFT
32 DISTILLER LICENSE.

33 C. A PERSON MAY BE LICENSED AS A CRAFT DISTILLER TO SELL DISTILLED
34 SPIRITS THAT ARE PRODUCED OR MANUFACTURED BY THE PERSON IF IN A CALENDAR YEAR
35 THE PERSON PRODUCES OR MANUFACTURES NOT MORE THAN ONE THOUSAND CASES OF
36 DISTILLED SPIRITS AND MAY MAKE SALES AND DELIVERIES OF DISTILLED SPIRITS ONLY
37 AS SPECIFIED IN THIS SECTION AND SUBJECT TO THE FOLLOWING CRITERIA:

38 1. A LICENSED CRAFT DISTILLER MAY MAKE SALES AND DELIVERIES OF
39 DISTILLED SPIRITS TO WHOLESALERS THAT ARE LICENSED TO SELL DISTILLED SPIRITS
40 UNDER THIS TITLE.

41 2. A LICENSED CRAFT DISTILLER MAY SERVE DISTILLED SPIRITS THAT ARE
42 PRODUCED OR MANUFACTURED ON THE PREMISES FOR THE PURPOSE OF CONSUMPTION ON
43 THE PREMISES AND MAY CHARGE FOR SAMPLES ON THE PREMISES OF THE CRAFT
44 DISTILLER LICENSE.

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

5 4. THE LICENSED CRAFT DISTILLER MAY HOLD A LICENSE PRESCRIBED IN
6 SECTION 4-209, SUBSECTION B, PARAGRAPH 12 ON THE LICENSED CRAFT DISTILLER
7 PREMISES. THE LICENSED CRAFT DISTILLER SHALL PURCHASE ALL OTHER SPIRITUOUS
8 LIQUOR FOR SALE AT THE ON-SALE RETAIL PREMISES FROM WHOLESALERS THAT ARE
9 LICENSED IN THIS STATE, EXCEPT THAT A LICENSED CRAFT DISTILLER MAY:

10 (a) PURCHASE DISTILLED SPIRITS FROM OTHER CRAFT DISTILLERS THAT ARE
11 LICENSED IN THIS STATE.

12 (b) MAKE DELIVERIES OF THE DISTILLED SPIRITS THAT THE CRAFT DISTILLER
13 MANUFACTURES OR PRODUCES TO THE CRAFT DISTILLERS ON COMMONLY CONTROLLED
14 RETAIL LICENSED PREMISES. THE AMOUNT OF THESE DELIVERIES MUST BE INCLUDED IN
15 THE LIMITATION PROVIDED UNDER PARAGRAPH 5 OF THIS SUBSECTION.

16 5. A LICENSED CRAFT DISTILLER MAY MAKE SALES AND DELIVERIES OF THE
17 DISTILLED SPIRITS THAT THE LICENSED CRAFT DISTILLER MANUFACTURES OR PRODUCES
18 TO ON-SALE AND OFF-SALE RETAILERS IF THESE SALES DO NOT EXCEED MORE THAN FIVE
19 HUNDRED CASES OF DISTILLED SPIRITS IN A CALENDAR YEAR.

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

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

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

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

34 (c) THE DISTILLED SPIRITS ARE FOR PERSONAL USE ONLY AND NOT FOR
35 RESALE.

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

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

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

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

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

1 D. THE CRAFT DISTILLER IS LIABLE FOR ANY VIOLATION THAT IS COMMITTED
2 IN CONNECTION WITH ANY SALE OR DELIVERY OF THE DISTILLED SPIRITS. THE RULES
3 ADOPTED BY THE DIRECTOR PURSUANT TO SECTION 4-203, SUBSECTION J APPLY TO THE
4 DELIVERY OF DISTILLED SPIRITS UNDER SUBSECTION C, PARAGRAPH 9 OF THIS
5 SECTION. AN ACT OR OMISSION OF ANY PERSON WHO MAKES A SALE OR DELIVERY OF
6 DISTILLED SPIRITS FOR A LICENSEE UNDER SUBSECTION C OF THIS SECTION IS DEEMED
7 TO BE AN ACT OR OMISSION OF THE LICENSEE FOR THE PURPOSES OF SECTION 4-210,
8 SUBSECTION A, PARAGRAPH 9.

9 E. A CRAFT DISTILLER THAT SELLS OR DELIVERS DISTILLED SPIRITS PURSUANT
10 TO THIS SECTION SHALL:

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

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

15 F. A DELIVERY OF DISTILLED SPIRITS BY A CRAFT DISTILLER TO A PURCHASER
16 IN THIS STATE IS A TRANSACTION DEEMED TO HAVE OCCURRED IN THIS STATE.

17 G. THE DIRECTOR SHALL ADOPT RULES IN ORDER TO ADMINISTER THIS SECTION.

18 H. THE DIRECTOR MAY CHARGE A FEE FOR THE ISSUANCE OF A LICENSE
19 PURSUANT TO THIS SECTION.

20 Sec. 14. Section 4-206.01, Arizona Revised Statutes, is amended to
21 read:

22 4-206.01. Bar, beer and wine bar or liquor store licenses;
23 number permitted; fee; sampling privileges

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

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

38 C. A person issued a license authorized by subsection B of this
39 section shall pay an additional issuance fee equal to the license's fair
40 market value that shall be paid to the state general fund. The fair market
41 value shall be defined to mean the mean value of licenses of the same type
42 sold on the open market in the same county during the prior twelve months,
43 but if there are not three or more ~~such~~ sales then the fair market value
44 shall be determined by ~~three~~ TWO appraisals furnished to the department by
45 independent professional appraisers employed by the director.

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

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

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

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

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

36 I. The director may issue a restaurant license to the holder of a beer
37 and wine bar license issued simultaneously at the same premises. An
38 applicant for a restaurant license and a beer and wine bar license may
39 consolidate the application and may apply for both licenses at the same time.
40 The holder of each license shall fully comply with all applicable provisions
41 of this title. A restaurant license and a beer and wine bar license on the
42 same premises shall be owned by and issued to the same licensee. The
43 limitation set forth in subsection F of this section with respect to the
44 off-sale privileges of the beer and wine bar licenses shall be measured
45 against the on-sales of beer and wine sales of the establishment. For the

1 purposes of compliance with section 4-205.02, subsection H, paragraph 2, it
2 shall be conclusively presumed that all on premises sales of spirituous
3 liquors are made under the authority of the restaurant license.

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

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

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

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

33 4. The licensee shall not charge any customer for the sampling of any
34 products.

35 5. The sampling shall be conducted under the supervision of an
36 employee of a sponsoring distiller, vintner, brewer, wholesaler or retail
37 licensee.

38 6. Accurate records of sampling products dispensed shall be retained
39 by the licensee.

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

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

44 K. If a beer and wine bar license and a beer and wine store license
45 are issued at the same premises, for THE purposes of reporting liquor

1 purchases under each license, all spirituous beverages purchased for sampling
2 are conclusively presumed to be purchased under the beer and wine bar license
3 and all spirituous liquor sold off-sale are conclusively presumed to be
4 purchased under the beer and wine store license.

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

15 Sec. 15. Section 4-207, Arizona Revised Statutes, is amended to read:

16 4-207. Restrictions on licensing premises near school or church
17 buildings; definitions

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

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

- 32 1. Restaurant issued a license pursuant to section 4-205.02.
- 33 2. Special event license issued pursuant to section 4-203.02.
- 34 3. Hotel-motel issued a license pursuant to section 4-205.01.
- 35 4. Government license issued pursuant to section 4-205.03.

36 ~~5. Fenced playing area of a golf course issued a license pursuant to~~
37 ~~this article.~~

38 C. Notwithstanding subsection A of this section:

39 1. A TRANSFERRABLE spirituous liquor license ~~which~~ ~~THAT~~ is validly
40 issued and ~~which~~ ~~THAT~~ is, on the date an application for a transfer ~~OR A~~
41 ~~REPLACEMENT OF A TRANSFERRABLE LICENSE~~ is filed, within three hundred
42 horizontal feet of a church, within three hundred horizontal feet of a public
43 or private school building with kindergarten programs or any of grades one
44 through twelve or within three hundred horizontal feet of a fenced
45 recreational area adjacent to such school building may be transferred person

1 to person ~~OR BE REPLACED WITH A SIMILAR TRANSFERABLE LICENSE~~ pursuant to
2 sections 4-201, 4-202 and 4-203 and remains in full force until the license
3 is terminated in any manner, unless renewed pursuant to section 4-209,
4 subsection A.

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

15 3. A person may be issued a liquor store license pursuant to sections
16 4-201, 4-202, 4-203 and 4-206.01 for premises ~~which~~ THAT have a beer and wine
17 store license validly issued if the premises, on the date an application for
18 such license is filed, are within three hundred horizontal feet of a church,
19 within three hundred horizontal feet of a public or private school building
20 with kindergarten programs or any of grades one through twelve or within
21 three hundred horizontal feet of a fenced recreational area adjacent to such
22 school building and the license remains in full force until the license is
23 terminated in any manner, unless renewed pursuant to section 4-209,
24 subsection A.

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

38 5. A person may be issued a beer and wine store license pursuant to
39 sections 4-201, 4-202, 4-203 and 4-206.01 for premises that have a liquor
40 store license validly issued if the premises, on the date of an application
41 for which ~~such~~ THE license is filed, are within three hundred horizontal feet
42 of a church, within three hundred horizontal feet of a public or private
43 school building with kindergarten programs or any of grades one through
44 twelve or within three hundred horizontal feet of a fenced recreation area
45 adjacent to such school building and the license remains in full force until

1 the license is terminated in any manner, unless renewed pursuant to section
2 4-209, subsection A.

3 D. For the purposes of this section:

4 1. "Church" means a building which is erected or converted for use as
5 a church, where services are regularly convened, ~~which~~ THAT is used primarily
6 for religious worship and schooling and ~~which~~ THAT a reasonable person would
7 conclude is a church by reason of design, signs or architectural or other
8 features.

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

16 Sec. 16. Section 4-209, Arizona Revised Statutes, is amended to read:

17 4-209. Fees for license, application, issuance, renewal and
18 transfer; late renewal penalty; seasonal operation;
19 surcharges

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

42 B. Issuance fees for original licenses shall be:

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

- 1 2. Except as provided in paragraph 15 of this subsection, for an
2 out-of-state producer's, exporter's, importer's or rectifier's license, two
3 hundred dollars.
- 4 3. For a ~~domestic~~ microbrewery license, three hundred dollars.
- 5 4. For a wholesaler's license, to sell spirituous liquors, one
6 thousand five hundred dollars.
- 7 5. For a government license issued in the name of a county, city,
8 town, community college or state university or ~~THE~~ national guard, one
9 hundred dollars.
- 10 6. For a bar license, which is an on-sale retailer's license to sell
11 all spirituous liquors primarily by individual portions and in the original
12 containers, one thousand five hundred dollars.
- 13 7. For a beer and wine bar license, which is an on-sale retailer's
14 license to sell beer and wine primarily by individual portions and in the
15 original containers, one thousand five hundred dollars.
- 16 8. For a conveyance license issued to an operating railroad company,
17 to sell all spirituous liquors in individual portions or in the original
18 containers on all passenger trains operated by the railroad company, or to an
19 operating airline company, to sell or serve spirituous liquors solely in
20 individual portions on all passenger planes operated by the airline company,
21 or to a boat operating in the waters of this state, to sell all spirituous
22 liquors in individual portions or in the original containers for consumption
23 on the boat, one thousand five hundred dollars.
- 24 9. For a liquor store license, which is an off-sale retailer's license
25 to sell all spirituous liquors, one thousand five hundred dollars.
- 26 10. For a beer and wine store license, which is an off-sale retailer's
27 license to sell beer and wine, one thousand five hundred dollars.
- 28 11. For a hotel-motel license issued as such, to sell and serve
29 spirituous liquors solely for consumption on the licensed premises of the
30 hotel or motel, one thousand five hundred dollars.
- 31 12. For a restaurant license issued as such, to sell and serve
32 spirituous liquors solely for consumption on the licensed premises of the
33 restaurant, one thousand five hundred dollars.
- 34 13. For a ~~domestic~~ farm winery license, one hundred dollars.
- 35 14. For a club license issued in the name of a bona fide club qualified
36 under this title to sell all spirituous liquors on-sale, one thousand
37 dollars.
- 38 15. For an out-of-state winery that sells not more than fifty cases of
39 wine in this state in a calendar year, twenty-five dollars.
- 40 C. The department may issue licenses with staggered renewal dates to
41 distribute the renewal workload as uniformly as practicable throughout the
42 twelve months of the calendar year. If a license is issued less than six
43 months before the scheduled renewal date of the license, as provided by the
44 department's staggered license renewal system, one-half of the annual license
45 fee shall be charged.

- 1 D. The annual fees for licenses shall be:
- 2 1. For an in-state producer's license, to manufacture or produce
- 3 spirituous liquors in this state, three hundred fifty dollars.
- 4 2. Except as provided in paragraph 15 of this subsection, for an
- 5 out-of-state producer's, exporter's, importer's or rectifier's license, fifty
- 6 dollars.
- 7 3. For a ~~domestic~~ microbrewery license, three hundred dollars.
- 8 4. For a wholesaler's license, to sell spirituous liquors, two hundred
- 9 fifty dollars.
- 10 5. For a government license issued to a county, city or town,
- 11 community college or state university or the national guard, one hundred
- 12 dollars.
- 13 6. For a bar license, which is an on-sale retailer's license to sell
- 14 all spirituous liquors primarily by individual portions and in the original
- 15 containers, one hundred fifty dollars.
- 16 7. For a beer and wine bar license, which is an on-sale retailer's
- 17 license to sell beer and wine primarily by individual portions and in the
- 18 original containers, seventy-five dollars.
- 19 8. For a conveyance license issued to an operating railroad company,
- 20 to sell all spirituous liquors in individual portions or in the original
- 21 containers on all passenger trains operated by the railroad company, or to an
- 22 operating airline company, to sell or serve spirituous liquors solely in
- 23 individual portions on all passenger planes operated by the airline company,
- 24 or to a boat operating in the waters of this state, to sell all spirituous
- 25 liquor in individual portions or in the original containers for consumption
- 26 on the boat, two hundred twenty-five dollars.
- 27 9. For a liquor store license, which is an off-sale retailer's license
- 28 to sell all spirituous liquors, fifty dollars.
- 29 10. For a beer and wine store license, which is an off-sale retailer's
- 30 license to sell beer and wine, fifty dollars.
- 31 11. For a hotel-motel license issued as such, to sell and serve
- 32 spirituous liquors solely for consumption on the licensed premises of the
- 33 hotel or motel, five hundred dollars.
- 34 12. For a restaurant license issued as such, to sell and serve
- 35 spirituous liquors solely for consumption on the licensed premises of the
- 36 restaurant, five hundred dollars, and for a restaurant license that is
- 37 permitted to continue operating as a restaurant pursuant to section 4-213,
- 38 subsection E, an additional amount established by the director. The
- 39 department shall transfer this amount to the state treasurer for deposit in
- 40 the state general fund.
- 41 13. For a ~~domestic~~ farm winery license, one hundred dollars.
- 42 14. For a club license issued in the name of a bona fide club qualified
- 43 under this title to sell all spirituous liquors on-sale, one hundred fifty
- 44 dollars.

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

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

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

10 G. Transfer fees from location to location, as provided for in section
11 4-203, shall be one hundred dollars.

12 H. Assignment fees for a change of agent, as provided for in section
13 4-202, subsection C, shall be one hundred dollars, except that where a
14 licensee holds multiple licenses the assignment fee for the first license
15 shall be one hundred dollars and the assignment fee for all remaining
16 licenses transferred to the same agent shall be fifty dollars each, except
17 that the aggregate assignment fees shall in no event exceed one thousand
18 dollars.

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

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

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

44 L. The director shall assess a surcharge of twenty dollars on all
45 licenses prescribed in subsection D, paragraphs 11 and 12 of this section and

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

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

14 Sec. 17. Section 4-210, Arizona Revised Statutes, is amended to read:
15 4-210. Grounds for revocation, suspension and refusal to renew;
16 notice; complaints; hearings

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

20 1. There occurs on the licensed premises repeated acts of violence or
21 disorderly conduct.

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

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

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

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

36 6. The licensee or controlling person obtains, assigns, transfers or
37 sells a spirituous liquor license without compliance with this title or
38 leases or subleases a license.

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

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

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

11 10. The licensee fails to take reasonable steps to protect the safety
12 of a customer of the licensee OR ANY OTHER PERSON entering, leaving or
13 remaining on the licensed premises when the licensee knew or reasonably
14 should have known of the danger to the person, or the licensee fails to take
15 reasonable steps to intervene by notifying law enforcement officials or
16 otherwise to prevent or break up an act of violence or an altercation
17 occurring on the licensed premises or immediately adjacent to the premises
18 when the licensee knew or reasonably should have known of the acts of
19 violence or altercations.

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

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

26 13. A licensee that is a liquor store as defined in section 46-297
27 violates the restrictions on use of automatic teller machines or
28 point-of-sale terminals regarding electronic benefit transfer cards
29 prescribed in section 4-242.01.

30 14. THE LICENSEE FAILS TO REPORT A SERIOUS ACT OF VIOLENCE THAT OCCURS
31 ON THE PREMISES. FOR THE PURPOSES OF THIS PARAGRAPH, "SERIOUS ACT OF
32 VIOLENCE" MEANS AN INCIDENT CONSISTING OF A RIOT, A BRAWL OR A DISTURBANCE IN
33 WHICH A SERIOUS INJURY CAUSES THE DEATH OR CRITICAL INJURY OF A PERSON AND
34 SUCH INJURIES WOULD BE OBVIOUS TO A REASONABLE PERSON.

35 B. For the purposes of:

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

40 2. Subsection A, paragraphs 9 and 10 of this section, acts or
41 omissions of an employee of a licensee, ~~which~~ THAT violate any provision of
42 this title or rules adopted pursuant to this title shall be deemed to be acts
43 or omissions of the licensee. Acts or omissions by an employee or licensee
44 committed during the time the licensed premises were operated pursuant to an

1 interim permit or without a license may be charged as if they had been
2 committed during the period the premises were duly licensed.

3 C. The director may suspend, revoke or refuse to issue, transfer or
4 renew a license under this section based solely on the unrelated conduct or
5 fitness of any officer, director, managing agent or other controlling person
6 if the controlling person retains any interest in or control of the licensee
7 after sixty days following written notice to the licensee. If the
8 controlling person holds stock in a corporate licensee or is a partner in a
9 partnership licensee, the controlling person may only divest himself of his
10 interest by transferring the interest to the existing stockholders or
11 partners who must demonstrate to the department that they meet all the
12 requirements for licensure. For the purposes of this subsection, the conduct
13 or fitness of a controlling person is unrelated if it would not be
14 attributable to the licensee.

15 D. If the director finds, based on clear and convincing evidence in
16 the record, that a violation involves the use by the licensee of a
17 drive-through or walk-up service window or other physical feature of the
18 licensed premises that allows a customer to purchase spirituous liquor
19 without leaving the customer's vehicle or, with respect to a walk-up service
20 window that prevents the licensee from fully observing the customer, and that
21 the use of that drive-through or walk-up service window or other physical
22 feature caused the violation, the director may suspend or terminate the
23 licensee's use of the drive-through or walk-up service window or other
24 physical feature for the sale of spirituous liquor, in addition to any other
25 sanction.

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

31 F. The director shall receive all complaints of alleged violations of
32 this chapter and is responsible for the investigation of all allegations of a
33 violation of, or noncompliance with, this title, any rule adopted pursuant to
34 this title or any condition imposed on the licensee by the license. When the
35 director receives three complaints from any law enforcement agency resulting
36 from three separate incidents at a licensed establishment within a
37 twelve-month period, the director shall transmit a written report to the
38 board setting forth the complaints, the results of any investigation
39 conducted by the law enforcement agency or the department relating to the
40 complaints and a history of all prior complaints against the license and
41 their disposition. The board shall review the report and may direct the
42 director to conduct further investigation of a complaint or to serve a
43 licensee with a complaint and notice of a hearing pursuant to subsection G of
44 this section.

1 G. On the director's initiation of an investigation or on the receipt
2 of a complaint and an investigation of the complaint as deemed necessary, the
3 director may cause a complaint and notice of a hearing to be directed to the
4 licensee setting forth the violations alleged against the licensee and
5 directing the licensee, within fifteen days after service of the complaint
6 and notice of a hearing, to appear by filing with the director an answer to
7 the complaint. Failure of the licensee to answer may be deemed an admission
8 by the licensee of commission of the act charged in the complaint. The
9 director may then vacate the hearing and impose any sanction provided by this
10 article. The director may waive any sanction for good cause shown including
11 excusable neglect. With respect to any violation of this title or any rule
12 adopted pursuant to this title that is based on the act or omission of a
13 licensee's employee, the director shall consider evidence of mitigation
14 presented by the licensee and established by a preponderance of the evidence
15 that the employee acted intentionally and in violation of the express
16 direction or policy adopted by the licensee and communicated to the employee
17 and that the employee successfully completed training in a course approved by
18 the director pursuant to section 4-112, subsection G, paragraph 2. The
19 director may set the hearing before himself or an administrative law judge on
20 any of the grounds set forth in subsection A of this section. Instead of
21 issuing a complaint, the director may provide for informal disposition of the
22 matter by consent agreement or may issue a written warning to the licensee.
23 If a warning is issued, the licensee may reply in writing and the director
24 shall keep a record of the warning and the reply.

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

28 I. The expiration, cancellation, revocation, reversion, surrender,
29 acceptance of surrender or termination in any other manner of a license does
30 not prevent the initiation or completion of a disciplinary proceeding
31 pursuant to this section against the licensee or license. An order issued
32 pursuant to a disciplinary proceeding against a license is enforceable
33 against other licenses or subsequent licenses in which the licensee or
34 controlling person of the license has a controlling interest.

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

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

1 1. That the lienholder's interest is a bona fide security interest.
2 For the purposes of this paragraph, "bona fide security interest" means the
3 lienholder provides actual consideration to the licensee or the licensee's
4 predecessor in interest in exchange for the lienholder's interest. Bona fide
5 security interest includes a lien taken by the seller of a license as
6 security for the seller's receipt of all or part of the purchase price of the
7 license.

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

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

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

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

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

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

24 2. The lienholder to pay any civil monetary penalty imposed on the
25 licensee.

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

34 Sec. 18. Section 4-212, Arizona Revised Statutes, is amended to read:

35 4-212. Injunctions

36 If the board or the director has reasonable grounds to believe that a
37 person is violating section 4-244.05 OR 4-250.01 or is manufacturing, selling
38 or dealing in spirituous liquor without a valid license, permit or
39 registration in violation of this title, the board or the director may apply
40 to the superior court for a temporary restraining order and other injunctive
41 relief prohibiting the specific acts complained of by the board or the
42 director.

43 Sec. 19. Section 4-226, Arizona Revised Statutes, is amended to read:

44 4-226. Exemptions

45 The provisions of this title do not apply to:

- 1 1. Drugstores selling spirituous liquors only ~~upon~~ ON prescription.
- 2 2. Any confectionery candy containing less than five per cent by
- 3 weight of alcohol.
- 4 3. Ethyl alcohol intended for use or used for the following purposes:
- 5 (a) Scientific, chemical, mechanical, industrial and medicinal
- 6 purposes.
- 7 (b) Use by those authorized to procure spirituous liquor or ethyl
- 8 alcohol tax-free, as provided by the acts of Congress and regulations
- 9 promulgated thereunder.
- 10 (c) In the manufacture of denatured alcohol produced and used as
- 11 provided by the acts of Congress and regulations promulgated thereunder.
- 12 (d) In the manufacture of patented, patent, proprietary, medicinal,
- 13 pharmaceutical, antiseptic, toilet, scientific, chemical, mechanical and
- 14 industrial preparations or products, unfit and not used for beverage
- 15 purposes.
- 16 (e) In the manufacture of flavoring extracts and syrups unfit for
- 17 beverage purposes.
- 18 4. The purchase, storage, distribution, service or consumption of wine
- 19 in connection with the bona fide practice of a religious belief or as an
- 20 integral part of a religious exercise by a church recognized by the United
- 21 States internal revenue service under section 501(c)(3) of the internal
- 22 revenue code and in a manner not dangerous to public health or safety. This
- 23 exemption does not apply to any alleged violation of section 4-244, paragraph
- 24 9, 34, 35 or ~~41~~ 40.
- 25 5. BEER THAT IS NOT SOLD OR OFFERED FOR SALE AND THAT IS REMOVED FROM
- 26 THE PREMISES WHERE IT WAS MADE FOR PERSONAL OR FAMILY USE AT ORGANIZED
- 27 AFFAIRS, EXHIBITIONS OR COMPETITIONS SUCH AS HOMEBREWER'S CONTESTS, TASTING
- 28 OR JUDGING.
- 29 Sec. 20. Section 4-227, Arizona Revised Statutes, is amended to read:
- 30 4-227. Spirituous liquor pricing; prohibition; definitions
- 31 A. Subject to subsection B of this section, a wholesaler shall sell
- 32 its product to a qualified retail cooperative without regard to the volume of
- 33 the product purchased by the cooperative at the lowest price at which the
- 34 wholesaler sells the product to any other retail licensee at or near the
- 35 location of the cooperative.
- 36 B. The provisions of subsection A of this section shall apply only to
- 37 a purchase by a retail cooperative of fifty cases or more of a product on a
- 38 single occasion.
- 39 C. THIS SECTION DOES NOT PREVENT A WHOLESALER FROM SELLING ITS PRODUCT
- 40 TO OFF-SALE LICENSEES AT A DIFFERENT PRICE THAN THE WHOLESALER SELLS ITS
- 41 PRODUCT TO ON-SALE LICENSEES. ALL DISCOUNT CHANNEL PRICING MUST BE BOTH:
- 42 1. BASED ON VOLUME.
- 43 2. MADE AVAILABLE TO ALL LICENSEES IN THE ON-SALE OR OFF-SALE CHANNEL.
- 44 ~~C.~~ D. As used in this section:

1 1. "Product" means a particular brand of spirituous liquor in a
2 designated size container or a mix of brands and containers when sold on a
3 combined basis established by the wholesaler ~~which~~ THAT is offered on
4 quantity discount terms established by the wholesaler.

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

7 Sec. 21. Section 4-229, Arizona Revised Statutes, is amended to read:
8 4-229. Licenses; handguns; posting of notice

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

14 1. Be posted in a conspicuous location accessible to the general
15 public and immediately adjacent to the liquor license posted on the licensed
16 premises.

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

19 3. Contain the words, "no firearms allowed pursuant to A.R.S. section
20 4-229".

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

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

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

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

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

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

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

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

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

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

- 4 1. Seeking emergency aid.
- 5 2. Determining whether a sign has been posted pursuant to subsection A
6 of this section.

7 Sec. 22. Section 4-241, Arizona Revised Statutes, is amended to read:

8 4-241. Selling or giving liquor to underage person; illegally
9 obtaining liquor by underage person; violation;
10 classification; definitions

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

- 18 1. Demand identification from the person.
- 19 2. Examine the identification to determine that the identification
20 reasonably appears to be a valid, unaltered identification that has not been
21 defaced.
- 22 3. Examine the photograph in the identification and determine that the
23 person reasonably appears to be the same person in the identification.
- 24 4. Determine that the date of birth in the identification indicates
25 the person is not under the legal drinking age.

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

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

1 the licensee after the procedure has been employed during the particular
2 visit to the licensed premises by the person.

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

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

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

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

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

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

26 1. A writing containing the type of identification, the date of
27 issuance of the identification, the name on the identification, the date of
28 birth on the identification and the signature of the person.

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

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

32 4. A photograph of the identification.

33 5. A digital copy of the identification.

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

40 K. The following written instruments are the only acceptable types of
41 identification:

42 1. An unexpired driver license issued by any state, **THE DISTRICT OF**
43 **COLUMBIA, ANY TERRITORY OF THE UNITED STATES OF AMERICA** or Canada if the
44 license includes a picture of the licensee. **A DRIVER LICENSE ISSUED TO A**
45 **PERSON WHO WAS UNDER TWENTY-ONE YEARS OF AGE IS NO LONGER AN ACCEPTABLE TYPE**

1 OF IDENTIFICATION UNDER THIS PARAGRAPH THIRTY DAYS AFTER THE PERSON TURNS
2 TWENTY-ONE YEARS OF AGE.

3 2. ~~A~~ AN UNEXPIRED nonoperating identification license issued pursuant
4 to section 28-3165 or an equivalent form of identification license issued by
5 any state or Canada if the license includes a picture of the person and the
6 person's date of birth.

7 3. An UNEXPIRED armed forces identification card.

8 4. A valid unexpired passport or ~~border crossing identification~~ A
9 RESIDENT ALIEN card that ~~is issued by a government or a voter card that is~~
10 ~~issued by the government of Mexico if the passport or card~~ contains a
11 photograph of the person and the person's date of birth.

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

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

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

23 O. A person who uses a driver or nonoperating identification license
24 in violation of subsection L or N of this section is subject to suspension of
25 the driver or nonoperating identification license as provided in section
26 28-3309. A person who does not have a valid driver or nonoperating
27 identification license and who uses a driver or nonoperating identification
28 license of another in violation of subsection C or E of this section has the
29 person's right to apply for a driver or nonoperating identification license
30 suspended as provided by section 28-3309.

31 P. A person who knowingly influences the sale, giving or serving of
32 spirituous liquor to a person under the legal drinking age by misrepresenting
33 the age of such person or who orders, requests, receives or procures
34 spirituous liquor from any licensee, employee or other person with the intent
35 of selling, giving or serving it to a person under the legal drinking age is
36 guilty of a class 1 misdemeanor. A licensee or employee of a licensee who
37 has actual knowledge that a person is under the legal drinking age and who
38 admits the person into any portion of the licensed premises in violation of
39 section 4-244, paragraph 22 is in violation of this subsection. In addition
40 to other penalties provided by law, a judge may suspend a driver license
41 issued to or the driving privilege of a person for not more than thirty days
42 for a first conviction and not more than six months for a second or
43 subsequent conviction under this subsection.

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

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

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

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

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

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

15 S. A peace officer shall forward or electronically transfer to the
16 director of the department of transportation the affidavit required by
17 section 28-3310 if the peace officer has arrested a person for the commission
18 of an offense for which, on conviction, suspension of the license or
19 privilege to operate a motor vehicle is required by section 28-3309,
20 subsection A, B or D, or if the peace officer has confiscated a false
21 identification document used by the person to gain access to licensed
22 premises.

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

25 U. Law enforcement agencies may use persons who are under the legal
26 drinking age to test compliance with this section and section 4-244,
27 paragraph 9 by a licensee if the law enforcement agency has reasonable
28 suspicion that the licensee is violating this section or section 4-244,
29 paragraph 9. A person who is under the legal drinking age and who purchases
30 or attempts to purchase spirituous liquor under the direction of a law
31 enforcement agency pursuant to this subsection is immune from prosecution for
32 that purchase or attempted purchase. Law enforcement agencies may use a
33 person under the legal drinking age pursuant to this subsection only if:

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

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

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

39 4. A photograph of the person is taken no more than twelve hours
40 before the purchase or attempted purchase. The photograph shall accurately
41 depict the person's appearance and attire. A licensee or an employee of a
42 licensee who is cited for selling spirituous liquor to a person under the
43 legal drinking age pursuant to this subsection shall be permitted to inspect
44 the photograph immediately after the citation is issued. The person's
45 appearance at any trial or administrative hearing that results from a

1 citation shall not be substantially different from the person's appearance at
2 the time the citation was issued.

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

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

7 V. The department may adopt rules to carry out the purposes of this
8 section.

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

10 4-242. Sale of liquor on credit prohibited; exceptions

11 A. It is unlawful for a RETAIL licensee, or an employee or agent of a
12 licensee, to sell or offer to sell, directly or indirectly, or to sanction
13 the sale on credit of spirituous liquor TO A RETAILER'S CUSTOMER, or to give,
14 lend or advance money or anything of value TO A RETAIL CUSTOMER for the
15 purpose of purchasing or bartering for spirituous liquor, except that sales
16 of spirituous liquor consumed on the RETAIL licensed premises may be included
17 on bills rendered to registered guests in hotels and motels, and spirituous
18 liquor sales for on or off premises consumption may be made with credit cards
19 approved by the director, and sales of spirituous liquor consumed on the
20 premises of private clubs may be included on bills rendered to bona fide
21 members.

22 B. THIS SECTION DOES NOT PROHIBIT WHOLESALERS AND PRODUCERS FROM
23 ENGAGING IN CREDIT TRANSACTIONS BETWEEN EACH OTHER.

24 Sec. 24. Section 4-243, Arizona Revised Statutes, is amended to read:

25 4-243. Commercial coercion or bribery unlawful; exceptions

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

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

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

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

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

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

- 1 6. To guarantee a loan or repayment of a financial obligation of the
2 retailer.
- 3 7. To extend credit to the retailer on a sale of spirituous liquor.
- 4 8. To require the retailer to take and dispose of a certain quota of
5 spirituous liquor.
- 6 9. To offer or give a bonus, a premium or compensation to the retailer
7 or any of the retailer's officers, employees or representatives.
- 8 B. This section does not prohibit any distiller, vintner, brewer,
9 rectifier, blender or other producer or wholesaler of any spirituous liquor
10 from:
- 11 1. Giving financial and other forms of event sponsorship assistance to
12 nonprofit or charitable organizations for purposes of charitable fund-raising
13 ~~which~~ THAT are issued special event licenses by the department. This section
14 does not prohibit ~~such~~ suppliers from advertising their sponsorship at such
15 special events.
- 16 2. Providing samples to retail consumers at on-sale premises
17 establishments according to the following procedures:
- 18 (a) Sampling operations shall be conducted under the supervision of an
19 employee of the sponsoring producer or wholesaler.
- 20 (b) Sampling shall be limited to twelve ounces of beer or cooler
21 products, six ounces of wine or two ounces of distilled spirits per person
22 per brand.
- 23 (c) If requesting the on-sale retailer to prepare a drink for the
24 consumer, the producer's or wholesaler's representative shall pay the
25 retailer for the sample drink.
- 26 (d) The producer or wholesaler may not buy the on-sale retailer or the
27 retailer's employees a drink during their working hours or while they are
28 engaged in waiting on or serving customers.
- 29 (e) The producer or wholesaler may not give a keg of beer or any
30 spirituous liquor or any other gifts or benefits to the on-sale retailer.
- 31 (f) All sampling procedures shall comply with federal sampling laws
32 and regulations.
- 33 3. Providing samples to retail consumers on an off-sale retailer's
34 premises according to the following procedures:
- 35 (a) Sampling shall be conducted by an employee of the sponsoring
36 producer or wholesaler.
- 37 (b) The producer or wholesaler shall notify the department in writing
38 or by electronic means not less than ten days before the sampling of the
39 date, time and location of the sampling AND OF THE NAME OF THE WHOLESALER
40 DISTRIBUTING THE PRODUCT.
- 41 (c) Sampling shall be limited to three ounces of beer, one and
42 one-half ounces of wine or one ounce of distilled spirits per person per day
43 FOR CONSUMPTION ON THE PREMISES AND UP TO TWELVE OUNCES OF BEER, SEVEN OUNCES
44 OF WINE AND THREE OUNCES OF DISTILLED SPIRITS PER PERSON PER DAY FOR
45 CONSUMPTION OFF THE PREMISES.

1 (d) An off-sale retailer shall not permit sampling to be conducted on
2 a licensed premises on more than twelve days in any calendar year **PER**
3 **WHOLESALER**.

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

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

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

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

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

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

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

26 (l) All sampling procedures shall comply with federal sampling laws
27 and regulations.

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

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

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

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

5 Sec. 26. Section 4-243.02, Arizona Revised Statutes, is amended to
6 read:

7 4-243.02. Sale of beer, wine or distilled spirits by producer

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

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

11 ~~2. The retail sale of the beer is on or adjacent to the premises of~~
12 ~~the producer.~~

13 ~~B.~~ A person who holds a producer's license may sell **ON-SALE OR**
14 **OFF-SALE AT ITS LICENSED PREMISES, ONLY THE BEER,** wine or distilled spirits
15 produced by the producer ~~at~~ **ON** the producer's licensed premises, **BUT SHALL**
16 **NOT HOLD A RETAIL LICENSE OTHER THAN A RESTAURANT LICENSE FOR THE LOCATION AT**
17 **THE BREWERY, WINERY OR DISTILLERY.**

18 Sec. 27. Section 4-244, Arizona Revised Statutes, is amended to read:

19 4-244. Unlawful acts

20 It is unlawful:

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

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

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

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

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

44 6. For a person to take or solicit orders for spirituous liquors
45 unless the person is a salesman or solicitor of a licensed wholesaler, a

1 salesman or solicitor of a distiller, brewer, vintner, importer or broker or
2 a registered retail agent.

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

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

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

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

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

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

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

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

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

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

19 (e) An unpaid volunteer of a special event licensee under section
20 4-203.02 may purchase and consume spirituous liquor while not engaged in
21 waiting on or serving spirituous liquor to customers at the special event.
22 This subdivision does not apply to an unpaid volunteer whose responsibilities
23 include verification of a person's legal drinking age, security or the
24 operation of any vehicle or heavy machinery.

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

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

42 16. For a licensee or employee to knowingly permit any person on or
43 about the licensed premises to give or furnish any spirituous liquor to any
44 person under twenty-one years of age or knowingly permit any person under

1 twenty-one years of age to have in the person's possession spirituous liquor
2 on the licensed premises.

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

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

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

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

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

32 22. For an on-sale retailer or employee to allow a person under the
33 legal drinking age to remain in an area on the licensed premises during those
34 hours in which its primary use is the sale, dispensing or consumption of
35 alcoholic beverages after the licensee, or the licensee's employees, know or
36 should have known that the person is under the legal drinking age. An
37 on-sale retailer may designate an area of the licensed premises as an area in
38 which spirituous liquor will not be sold or consumed for the purpose of
39 allowing underage persons on the premises if the designated area is separated
40 by a physical barrier and at no time will underage persons have access to the
41 area in which spirituous liquor is sold or consumed. A licensee or an
42 employee of a licensee may require a person who intends to enter a licensed
43 premises or a portion of a licensed premises where persons under the legal
44 drinking age are prohibited under this section to exhibit a written
45 instrument of identification that is acceptable under section 4-241 as a

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

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

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

13 (i) An active duty military service member.

14 (ii) A veteran.

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

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

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

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

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

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

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

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

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

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

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

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

13 (a) Hotel or motel guest room accommodations.

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

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

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

29 (a) Hotel or motel guest room accommodations.

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

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

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

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

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

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

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

8 (c) A bar, beer and wine bar, liquor store, beer and wine store, ~~or~~
9 ~~domestic~~ microbrewery OR FARM WINERY licensee who dispenses beer only in a
10 clean glass, ALUMINUM, STAINLESS STEEL OR PORCELAIN container with a maximum
11 capacity that does not exceed one gallon and not for consumption on the
12 premises ~~as long as~~ IF:

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

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

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

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

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

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

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

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

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

38 ~~38.~~ 37. For a licensee to use a vending machine for the purpose of
39 dispensing spirituous liquor.

40 ~~39.~~ 38. For a licensee to offer for sale a wine carrying a label
41 including a reference to Arizona or any Arizona city, town or geographic
42 location unless at least seventy-five per cent by volume of the grapes used
43 in making the wine were grown in Arizona.

44 ~~40.~~ 39. For a retailer to knowingly allow a customer to bring
45 spirituous liquor onto the licensed premises, except that an on-sale retailer

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

12 ~~41.~~ 40. For a person under twenty-one years of age to have in the
13 person's body any spirituous liquor. In a prosecution for a violation of
14 this paragraph:

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

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

22 ~~42.~~ 41. For an employee of a licensee to accept any gratuity,
23 compensation, remuneration or consideration of any kind to either:

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

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

29 ~~43.~~ 42. For a person to purchase, offer for sale or use any device,
30 machine or process which mixes spirituous liquor with pure oxygen or another
31 gas to produce a vaporized product for the purpose of consumption by
32 inhalation OR TO ALLOW PATRONS TO USE ANY ITEM FOR THE CONSUMPTION OF
33 VAPORIZED SPIRITUOUS LIQUOR.

34 ~~44.~~ 43. For a retail licensee or an employee of a retail licensee to
35 sell spirituous liquor to a person if the retail licensee or employee knows
36 the person intends to resell the spirituous liquor.

37 ~~45.~~ 44. Except as authorized by paragraph 32, subdivision (c) of this
38 section, for a person to reuse a bottle or other container authorized for use
39 by the laws of the United States or any agency of the United States for the
40 packaging of distilled spirits or for a person to increase the original
41 contents or a portion of the original contents remaining in a liquor bottle
42 or other authorized container by adding any substance.

1 Sec. 28. Section 4-244.04, Arizona Revised Statutes, is amended to
2 read:

3 4-244.04. Farm winery sampling

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

14 Sec. 29. Section 4-246, Arizona Revised Statutes, is amended to read:

15 4-246. Violation; classification

16 A. A person violating any provision of this title is guilty of a class
17 2 misdemeanor unless another classification is prescribed.

18 B. A person violating section 4-244, paragraph 9, 14, 34, ~~42~~ 41 or ~~44~~
19 43 is guilty of a class 1 misdemeanor.

20 C. A person violating section 4-229, subsection B, or section 4-244,
21 paragraph 31 is guilty of a class 3 misdemeanor.

22 D. In addition to any other penalty prescribed by law, the court may
23 suspend the privilege to drive of a person under eighteen years of age for a
24 period of up to one hundred eighty days on receiving the record of the
25 person's first conviction for a violation of section 4-244, paragraph 9.

26 E. In addition to any other penalty prescribed by law, a person who is
27 convicted of a violation of section 4-244, paragraph ~~42~~ 41 shall pay a fine
28 of at least five hundred dollars.

29 F. In addition to any other penalty prescribed by law, a person who is
30 convicted of a violation of section 4-241, subsection L, M or N shall pay a
31 fine of at least two hundred fifty dollars.

32 Sec. 30. Section 4-250.01, Arizona Revised Statutes, is amended to
33 read:

34 4-250.01. Out-of-state person engaged in business as producer,
35 exporter, importer or rectifier; violation; cease
36 and desist order; civil penalty

37 A. An out-of-state person engaged in business as a producer, exporter,
38 importer or rectifier shall comply with this title as if licensed by this
39 state. An out-of-state person engaged in business as a producer, exporter,
40 importer or rectifier who violates this title is subject to a fine or a civil
41 penalty and suspension or revocation of the right to do business in this
42 state.

43 B. If the director has reasonable cause to believe that an
44 out-of-state person engaged in business as a producer, exporter, importer or
45 rectifier is acting in violation of this title, the director may serve a

1 cease and desist order requiring the person to cease and desist the
2 violation.

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

8 Sec. 31. Section 42-3001, Arizona Revised Statutes, is amended to
9 read:

10 42-3001. Definitions

11 In this chapter, unless the context otherwise requires:

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

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

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

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

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

25 (b) Any roll of tobacco wrapped in any substance containing tobacco
26 that, because of its appearance, the type of tobacco used in the filler or
27 its packaging and labeling, is likely to be offered to or purchased by a
28 consumer as a cigarette described in subdivision (a) of this paragraph. This
29 subdivision shall be interpreted consistently with the classification
30 guidelines established by the federal alcohol and tobacco tax and trade
31 bureau.

32 5. "Cigarette distributor" means a distributor of cigarettes without
33 stamps affixed as required by this article who is required to be licensed
34 under section 42-3201. Cigarette distributor does not include a retailer or
35 any person who holds a permit as a cigarette manufacturer, export warehouse
36 proprietor or importer under 26 United States Code section 5712 if the person
37 sells or distributes cigarettes in this state only to licensed cigarette
38 distributors or to another person who holds a permit under 26 United States
39 Code section 5712 as an export warehouse proprietor or manufacturer.

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

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

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

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

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

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

11 ~~10. "Domestic farm winery" has the same meaning prescribed in section~~
12 ~~4-101.~~

13 ~~11. "Domestic microbrewery" has the same meaning prescribed in section~~
14 ~~4-101.~~

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

16 ~~12.~~ 11. "First sale" means the initial sale or distribution in
17 intrastate commerce or the initial use or consumption of cigarettes or other
18 tobacco products.

19 ~~13.~~ 12. "Luxury" means any article, object or device upon which a tax
20 is imposed under this chapter.

21 ~~14.~~ 13. "Malt liquor" means any liquid that contains more than
22 one-half of one per cent alcohol by volume and that is made by the process of
23 fermentation and not distillation of hops or grains, but not including:

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

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

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

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

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

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

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

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

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

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

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

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

8 Sec. 32. Section 42-3355, Arizona Revised Statutes, is amended to
9 read:

10 42-3355. Return and payment by farm wineries and microbreweries

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

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

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

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

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

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

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

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

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

1 Sec. 33. Section 42-3356, Arizona Revised Statutes, is amended to
2 read:

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

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

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

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

23 Sec. 34. Existing domestic farm winery licenses; temporary
24 exemption; other existing licenses

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

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

36 C. Notwithstanding section 4-243.02, Arizona Revised Statutes, as
37 amended by this act, holders of producers' licenses that also hold retail
38 licenses other than restaurant licenses, that were issued before January 1,
39 2014 may continue to hold the retail licenses issued at the site of the
40 winery, brewery or distillery.

41 Sec. 35. Effective date

42 Section 4-205.11, Arizona Revised Statutes, as added by this act, is
43 effective from and after June 30, 2018.