

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

SENATE BILL 1397

AN ACT

AMENDING SECTIONS 4-101, 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 SECTION 4-205.10; 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, 4-244, 4-244.04, 4-250.01, 42-3001, 42-3355 AND 42-3356, ARIZONA REVISED STATUTES; RELATING TO SPIRITUOUS LIQUOR LICENSES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 4-101, Arizona Revised Statutes, is amended to
3 read:

4 **4-101. Definitions**

5 In this title, unless the context otherwise requires:

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

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

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

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

23 5. "Bona fide guest" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 11. "CRAFT DISTILLER" MEANS A DISTILLER IN THE UNITED STATES OR IN A
16 TERRITORY OR POSSESSION OF THE UNITED STATES THAT HOLDS A LICENSE PURSUANT TO
17 SECTION 4-205.10.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 Sec. 2. Section 4-201.01, Arizona Revised Statutes, is amended to
31 read:

32 **4-201.01. Extending time limits**

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

38 B. Notwithstanding the provisions of subsection A of this section, if
39 the director determines that it is in the public interest to extend the time
40 limits for action by the department, including the board, in connection with
41 a license issuance or transfer or acquisition of control, ~~he~~ **THE DIRECTOR** may
42 extend ~~such~~ **THE** time limits by up to one hundred five days. The director may
43 further extend ~~such~~ **THE** time limits as the director deems necessary if
44 special circumstances such as litigation affecting the ownership of the
45 license, bankruptcy, probate or other circumstances deemed meritorious by the

1 director prevent the department from completing its action or the director
2 requires additional time to complete an investigation of an applicant's
3 qualifications for licensure pursuant to section 4-202. In no event shall
4 the director extend the time limits more than one year except as necessary in
5 the event of litigation affecting the ownership of the license, bankruptcy or
6 probate **OR EXCEPT ON A WRITTEN REQUEST OF THE APPLICANT OR LICENSEE THAT THE**
DIRECTOR DETERMINES IS SUPPORTED BY GOOD CAUSE.

7
8 Sec. 3. Section 4-203, Arizona Revised Statutes, is amended to read:
9 **4-203. Licenses: issuance: transfer: reversion to state**

10 A. A spirituous liquor license shall be issued only after satisfactory
11 showing of the capability, qualifications and reliability of the applicant
12 and, with the exception of wholesaler, producer, government or club
13 licensees, that the public convenience requires and that the best interest of
14 the community will be substantially served by the issuance. If an
15 application is filed **FOR THE REPLACEMENT OF A TRANSFERRABLE LICENSE OR** for
16 the issuance of a nontransferable license, other than for **A CRAFT DISTILLER**
LICENSE, a microbrewery license or a **domestic** farm winery license, for a
17 location that on the date the application is filed has a valid license of the
18 same series, **OR FOR THE REPLACEMENT OF A HOTEL-MOTEL LICENSE WITH A**
RESTAURANT LICENSE, issued at that location, there shall be a rebuttable
19 presumption that the public convenience and best interest of the community at
20 that location was established at the time the location was previously
21 licensed. The presumption may be rebutted by competent contrary evidence.
22 The presumption shall not apply once the licensed location has not been in
23 use for more than one hundred eighty days and the presumption shall not
24 extend to the personal qualifications of the applicant.
25

26 B. The license shall be to manufacture, sell or deal in spirituous
27 liquors only at the place and in the manner provided in the license. A
28 separate license shall be issued for each specific business, and each shall
29 specify:
30

31 1. The particular spirituous liquors that the licensee is authorized
32 to manufacture, sell or deal in.
33

34 2. The place of business for which issued.
35

36 3. The purpose for which the liquors may be manufactured or sold.
37

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

1 D. All applications for a new license pursuant to section 4-201 or for
2 a transfer to a new location pursuant to subsection C of this section shall
3 be filed with and determined by the director, except when the governing body
4 of the city or town or the board of supervisors receiving ~~such~~ AN application
5 pursuant to section 4-201 orders disapproval of ~~such~~ THE application or makes
6 no recommendation or when the director, the state liquor board or any
7 aggrieved party requests a hearing. ~~Such~~ THE application shall then be
8 presented to the state liquor board, and the new license or transfer shall
9 not become effective unless approved by the state liquor board.

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

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

43 G. A licensee who holds a license in nonuse status for more than five
44 months shall be required to pay a one hundred dollar surcharge for each month
45 thereafter. The surcharge shall be paid at the time the license is returned

1 to active status. A license automatically reverts to the state after being
2 held in continuous nonuse in excess of thirty-six months. The director may
3 waive the surcharge and may extend the time period provided in this
4 subsection for good cause. A license shall not be deemed to have gone into
5 active status if the license is transferred to a location that at the time of
6 or immediately before the transfer had an active license of the same type,
7 unless the licenses are under common ownership or control.

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

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

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

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

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

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

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

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

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

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

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

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

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

15 Sec. 4. Section 4-203.01, Arizona Revised Statutes, is amended to
16 read:

17 **4-203.01. Interim permit; fee; rules**

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

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

24 2. The license for such premises was surrendered pursuant to rules of
25 the department.

26 3. The applicant for the interim permit filed with the department an
27 application for the issuance of a license of the same series of
28 nontransferrable license or the transfer or replacement of a transferable
29 license of the same series, **OR FOR THE REPLACEMENT OF A HOTEL-MOTEL LICENSE**
WITH A RESTAURANT LICENSE, at the same premises.

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

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

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

44 1. No interim permit has previously been issued.

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

3 E. Notwithstanding any other ~~provision of~~ law, an interim permit may
4 be canceled or suspended summarily at any time, if the director determines
5 that good cause for such cancellation or suspension exists. There shall be
6 no appeal from such cancellation or suspension of an interim permit to the
7 board. The board may cancel an interim permit on applications that have been
8 disapproved by the board. The cancellation or suspension of an interim
9 permit may be appealed directly to the superior court.

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

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

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

20 I. The director may deny an interim permit in situations in which a
21 current licensee holds a license described in section 4-209, subsection B,
22 paragraph 12 and the current license is not in compliance with section
23 4-205.02.

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

26 4-203.02. Special event license: rules

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

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

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

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

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

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

5 E. A PHYSICAL LOCATION, INCLUDING A PHYSICAL LOCATION THAT IS OWNED,
6 OPERATED, LEASED, MANAGED OR CONTROLLED BY THE UNITED STATES, THIS STATE OR A
7 CITY, TOWN OR COUNTY OF THIS STATE THAT IS NOT LICENSED PURSUANT TO THIS
8 TITLE MAY NOT BE ISSUED MORE THAN TEN SPECIAL EVENT LICENSES DURING THE SAME
9 CALENDAR YEAR. ALL APPLICATIONS FOR A SPECIAL EVENT LICENSE ISSUED PURSUANT
10 TO THIS SUBSECTION MUST BE SUBMITTED TO THE DEPARTMENT AT LEAST TEN DAYS
11 BEFORE THE SCHEDULED EVENT.

12 F. The director may only issue the special event license to a
13 political party or campaign committee supporting a candidate for public
14 office or a ballot measure, an organization formed for a specific charitable
15 or civic purpose, a fraternal organization in existence for over five years
16 with a regular membership or a religious organization.

17 G. THE DIRECTOR MAY ISSUE A SPECIAL EVENT LICENSE CONCURRENTLY WITH A
18 WINE FESTIVAL LICENSE AND MAY APPROVE THE LOCATION OF THE WINE FESTIVAL
19 LICENSE WITHIN AN EXCLUDED AREA OF A SPECIAL EVENT LICENSE SPECIFICALLY
20 DESCRIBED IN EACH LICENSE. NOTWITHSTANDING SECTION 4-244, PARAGRAPHS 13 AND
21 19, BOTH LICENSES SHALL PERMIT THE PRESENCE OF PURCHASED SPIRITUOUS LIQUOR IN
22 THE POSSESSION OF THE PURCHASER.

23 H. An organization selling spirituous liquor under a special event
24 license ~~pursuant to subsection A, paragraph 1 of this section~~ shall purchase
25 ~~such~~ THE spirituous liquor from the holder of a license authorized to sell
26 off-sale ~~OR A LICENSED WHOLESALER.~~ ~~, or,~~ In the case of a nonprofit
27 organization ~~which~~ THAT has obtained a special event license for the purpose
28 of charitable fund-raising activities, the nonprofit organization may receive
29 the spirituous liquor from a wholesaler, FARM WINERY, MICROBREWERY, OR
30 PRODUCER as a donation, except that a licensee licensed pursuant to
31 subsection A, paragraph 2 of this section may receive spirituous liquor from
32 a donor when the donor receives no remuneration or payment of any kind,
33 directly or indirectly, other than any tax benefits that might result.

34 I. An organization that is issued a license pursuant to subsection
35 A, paragraph 2 of this section shall receive at least seventy-five per cent
36 of the gross receipts of the auction. Up to twenty-five per cent of the
37 gross receipts of a special event auction conducted pursuant to subsection A,
38 paragraph 2 of this section may be used to pay reasonable and necessary
39 expenses incurred in connection with the auction. All expenses shall be
40 supported by written contracts, invoices or receipts, which shall be made
41 available to the director on request.

42 J. The director may adopt those rules the director determines are
43 necessary to implement and administer this section including a limitation on
44 the number of times during a calendar year a qualified organization may apply
45 for and be issued a license under this section. The qualified organization

1 issued a license pursuant to subsection A, paragraph 1 of this section must
2 receive at least twenty-five per cent of the gross revenues of **ALL SPIRITUOUS**
3 **LIQUOR SOLD AT** the special events, which shall be supported by a contract
4 between the parties to be supplied at the time of application.

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

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

10 **H.** M. A licensed wholesaler may donate spirituous liquor directly to
11 an organization that is issued a license pursuant to subsection A **OF THIS**
12 **SECTION.** The licensed wholesaler shall in such instances issue a net zero
13 cost billing invoice in the name of the special event licensee. All
14 licensees making or receiving spirituous liquor donations remain subject to
15 the applicable limitations and requirements set forth in this title and in
16 the rules **promulgated ADOPTED** by the department.

17 **I.** N. A licensed wholesaler may temporarily leave a delivery vehicle
18 and other items of equipment necessary for the sale or service of spirituous
19 liquor on the premises of a licensed special event for the duration of the
20 event and up to one business day before and after the event.

21 **J.** O. A licensed wholesaler may leave spirituous liquor products at a
22 special event if the products are properly described on a preliminary billing
23 invoice from the wholesaler that is issued in the name of **the off-sale**
24 **retailer which also names** the special event licensee. The licensed
25 wholesaler has up to five business days after the special event ends to make
26 any necessary billing adjustments and issue a final billing invoice to **the**
27 **off-sale retailer which also names** the special event licensee.

28 Sec. 6. Section 4-203.03, Arizona Revised Statutes, is amended to
29 read:

30 **4-203.03. Wine festival license: wine fair license: fee**

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

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

44 C. With the permission of the fair organizers, any **domestic** farm
45 winery is authorized to allow sampling of **domestic** farm winery products on

1 the fair premises, the sale of ~~such~~ THE products for consumption on the fair
2 premises and the sale of ~~such~~ THE products in original containers for
3 consumption off of the fair premises at any sanctioned county or state fair.
4 The fee for a ~~domestic~~ farm winery fair license is fifteen dollars PER DAY
5 for each event.

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

8 Sec. 7. Section 4-203.04, Arizona Revised Statutes, is amended to
9 read:

10 4-203.04. Direct shipment license: issuance: fee: requirements:
11 penalties; cease and desist orders

12 A. The director may issue a direct shipment license to a person who is
13 engaged in business as a distiller, vintner, brewer, rectifier, blender or
14 other producer of spirituous liquor if the person is licensed in the state
15 where the person's principal place of business is located and the director
16 determines that the person is capable and reliable and is qualified to hold a
17 direct shipment license.

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

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

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

27 3. A complete and full disclosure by the applicant and by any officer,
28 director, administrator or controlling person of the applicant of any
29 criminal convictions in any state or foreign jurisdiction within the five
30 years immediately preceding the application.

31 4. The names and addresses of the wholesalers licensed in this state
32 through which the applicant will ship spirituous liquor into or within this
33 state.

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

38 6. A statement that the applicant acknowledges that shipments by the
39 applicant of spirituous liquor into or within this state contrary to this
40 section will result in the immediate suspension of the applicant's direct
41 shipment license.

42 C. The director may refuse to issue a direct shipment license for good
43 cause. After a hearing, the director may suspend or revoke a direct shipment
44 license for good cause. The director shall not issue a direct shipment
45 license to any person who:

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

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

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

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

15 F. A person who holds a direct shipment license shall ensure that
16 shipments of spirituous liquor pursuant to this section are made in
17 conformance with all applicable provisions of this title and rules adopted
18 pursuant to this title. A direct shipment licensee who violates this title
19 or rules adopted pursuant to this title is subject to a civil or criminal
20 penalty and suspension or revocation of the person's license.

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

27 H. The licensed retailer shall deliver the spirituous liquor or shall
28 arrange for the delivery of the spirituous liquor to the person who placed
29 the order and shall collect and pay to the department of revenue all
30 transaction privilege taxes imposed pursuant to title 42, chapter 5. The
31 retailer shall:

32 1. Ensure that:

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

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

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

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

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

- 1 (a) The business name, address and license number of the retailer.
- 2 (b) The date and time of delivery.
- 3 (c) The address where the delivery occurred.
- 4 (d) The type, brand and amount of the spirituous liquor delivered.
- 5 (e) The printed name and signature of the person making the delivery.
- 6 (f) The printed name and signature of the person accepting the
- 7 delivery, along with the type and serial number of the written identification
- 8 the person accepting delivery presented.
- 9 (g) The age of the person accepting delivery.

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

12 I. If the director has reasonable cause to believe that a person who
13 is licensed pursuant to this section is acting in violation of this section,
14 the director may serve a cease and desist order requiring the person to cease
15 and desist the violation. The director may impose a civil penalty of not
16 more than one hundred fifty thousand dollars **PER VIOLATION** against a person
17 who knowingly violates a cease and desist order issued pursuant to this
18 section.

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

21 1. The wine was purchased while the purchaser was physically present
22 at the winery.

23 2. The purchaser of the wine provided the winery verification of legal
24 age to purchase alcohol.

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

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

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

31 6. The purchaser could have carried the wine lawfully into or within
32 this state.

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

35 K. Section 4-201 does not apply to licenses issued pursuant to this
36 section.

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

38 1. **KEEP RECORDS OF SPIRITUOUS LIQUOR SHIPPED TO PERSONS IN THIS STATE,**
39 **INCLUDING THE SHIPPER'S COMPANY AND ADDRESS, THE RECIPIENT'S NAME AND**
40 **ADDRESS, THE SHIPMENT AND DELIVERY DATES AND THE WEIGHT OF SPIRITUOUS LIQUOR**
41 **SHIPPED.**

42 2. **REMIT THE RECORDS ON REQUEST OF THE DEPARTMENT.**

1 Sec. 8. Section 4-205.03, Arizona Revised Statutes, is amended to
2 read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 H. For the purposes of this section:

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

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

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

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

5 Sec. 9. Section 4-205.04, Arizona Revised Statutes, is amended to
6 read:

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

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

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

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

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

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

40 3. A representative of the licensed ~~domestic~~ farm winery may consume
41 small amounts of the products of the licensed ~~domestic~~ farm winery ON THE
42 PREMISES for the purpose of sampling the wine.

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

1 5. A licensed ~~domestic~~ farm winery may purchase and sell wine produced
2 by another licensed ~~domestic~~ farm winery **FOR CONSUMPTION ON OR OFF THE**
3 **PREMISES** only if the retail sale is to a consumer physically present on the
4 premises of the ~~domestic~~ farm winery, **EXCEPT THAT THE SALES PERCENTAGE OF**
5 **WINE PRODUCED BY ANOTHER WINERY MAY NOT EXCEED TWENTY PER CENT OF THE FARM**
6 **WINERY'S SALES BY VOLUME.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. THE WINE SOLD AT ANOTHER TASTING AND RETAIL LOCATION IS LIMITED TO WINE PRODUCED OR MANUFACTURED BY THE LICENSED FARM WINERY AND WINES PRODUCED OR MANUFACTURED BY OTHER LICENSED FARM WINERIES, INCLUDING WINES PRODUCED OR MANUFACTURED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION. SALES OF WINES NOT PRODUCED OR MANUFACTURED BY THE FARM WINERY SHALL BE LIMITED TO NO MORE THAN TWENTY-FIVE PERCENT OF TOTAL SALES BY VOLUME AT THAT LOCATION.

2. THE FARM WINERY LICENSEE:

(a) REMAINS RESPONSIBLE FOR THE TASTING ROOMS.

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

(C) DOES NOT SUBLEASE THE REMOTE TASTING ROOM LOCATION

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

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

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

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

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

2. File all returns or reports required by law.

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

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

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

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

4-205.05. Disposal of seized or recovered liquor

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

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

1 Sec. 11. Section 4-205.08, Arizona Revised Statutes, is amended to
2 read:

3 **4-205.08. Microbrewery license: issuance: regulatory**
4 **provisions: retail site**

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

10 B. An applicant for a ~~domestic~~ microbrewery license, at the time of
11 filing the application for the license, shall accompany the application with
12 the license fee. Persons holding a ~~domestic~~ microbrewery license shall
13 report annually at the end of each calendar year, at such time and in such
14 manner as the director may prescribe, the amount of beer manufactured by them
15 during the calendar year and the amount delivered pursuant to subsection D,
16 paragraph 5, subdivision (b) **OF THIS SECTION**. **IN ADDITION TO ANY OTHER**
17 **PROVISION OF THIS TITLE**, if the total amount of beer **THAT IS PRODUCED OR**
18 **manufactured ~~or delivered~~** during the calendar year exceeds the amount
19 permitted annually by the license, the licensee shall apply for and receive a
20 producer's license **ONLY ON THE SURRENDER OF THE MICROBREWERY LICENSE**.

21 C. Notwithstanding any other statute, a licensed ~~domestic~~ microbrewery
22 may:

23 1. Sell beer produced or manufactured on the premises for consumption
24 on or off the premises.

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

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

30 4. Serve beer produced or manufactured on the premises for the purpose
31 of sampling the beer.

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

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

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

38 3. If retail operations are conducted in conjunction with the
39 microbrewery, these retail operations shall be conducted from the same site
40 as the location of the microbrewery.

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

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

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

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

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

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

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

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

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

2. File all returns or reports required by law.

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

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

Sec. 12. Title 4, chapter 2, article 1, Arizona Revised Statutes, is amended by adding section 4-205.10, to read:

4-205.10. Craft distiller license: issuance: regulatory provisions: fee

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

B. PERSONS HOLDING A CRAFT DISTILLER LICENSE SHALL REPORT ANNUALLY AT THE END OF EACH FISCAL YEAR, AT SUCH TIME AND IN SUCH MANNER AS THE DIRECTOR MAY PRESCRIBE, THE AMOUNT OF DISTILLED SPIRITS THAT IS PRODUCED AND MANUFACTURED BY THAT LICENSEE DURING THE FISCAL YEAR. IN ADDITION TO ANY OTHER PROVISION OF THIS TITLE, IF THE TOTAL AMOUNT OF DISTILLED SPIRITS THAT IS PRODUCED OR MANUFACTURED DURING THE YEAR EXCEEDS THE AMOUNT THAT IS PERMITTED ANNUALLY BY THE LICENSE, THE LICENSEE SHALL APPLY FOR AND RECEIVE A PRODUCER'S LICENSE ONLY ON THE SURRENDER OF THE CRAFT DISTILLER LICENSE.

C. A PERSON MAY BE LICENSED AS A CRAFT DISTILLER TO SELL DISTILLED SPIRITS THAT ARE PRODUCED OR MANUFACTURED BY THE PERSON IF IN A CALENDAR YEAR THE PERSON PRODUCES OR MANUFACTURES NOT MORE THAN TWO THOUSAND THREE HUNDRED SEVENTY EIGHT GALLONS OF DISTILLED SPIRITS AND MAY MAKE SALES AND DELIVERIES

1 OF DISTILLED SPIRITS ONLY AS SPECIFIED IN THIS SECTION AND SUBJECT TO THE
2 FOLLOWING CRITERIA:

3 1. A LICENSED CRAFT DISTILLER MAY MAKE SALES AND DELIVERIES OF
4 DISTILLED SPIRITS TO WHOLESALERS THAT ARE LICENSED TO SELL DISTILLED SPIRITS
5 UNDER THIS TITLE.

6 2. A LICENSED CRAFT DISTILLER MAY SERVE DISTILLED SPIRITS THAT ARE
7 PRODUCED OR MANUFACTURED ON THE PREMISES FOR THE PURPOSE OF CONSUMPTION ON
8 THE PREMISES AND MAY CHARGE FOR SAMPLES ON THE PREMISES OF THE CRAFT
9 DISTILLER.

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

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

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

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

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

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

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

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

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

43 (c) THE DISTILLED SPIRITS ARE FOR PERSONAL USE ONLY AND NOT FOR
44 RESALE.

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

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

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

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

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

D. THE CRAFT DISTILLER IS LIABLE FOR ANY VIOLATION THAT IS COMMITTED

IN CONNECTION WITH ANY SALE OR DELIVERY OF THE DISTILLED SPIRITS. THE RULES ADOPTED BY THE DIRECTOR PURSUANT TO SECTION 4-203, SUBSECTION J APPLY TO THE DELIVERY OF DISTILLED SPIRITS UNDER SUBSECTION C OF THIS SECTION. AN ACT OR OMISSION OF ANY PERSON WHO MAKES A SALE OR DELIVERY OF DISTILLED SPIRITS FOR A LICENSEE UNDER SUBSECTION C OF THIS SECTION IS DEEMED TO BE AN ACT OR OMISSION OF THE LICENSEE FOR THE PURPOSES OF SECTION 4-210, SUBSECTION A, PARAGRAPH 9.

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

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

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

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

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

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

Sec. 13. Section 4-206.01, Arizona Revised Statutes, is amended to

Sec. 18. Section 1-200.01, Arizona Revised Statutes, is amended to read:

4.306.01 Ban beer and wine ban on liquor store licences.

4-206.01. Bar, beer and wine bar or liquor store licenses:

number permitted; fee; sampling privileges

A. The director shall determine the total number of spirituous liquor licenses by type and in each county. The director shall publish a listing of that information in the annual budget document.

that information as determined by the director.

B. In each county, the director, each year, shall issue additional bar, beer and wine bar or liquor store licenses at the rate of one of each

type for each additional ten thousand person increase over the population in that county as of July 1, 2010. ANY LICENSES THAT HAVE BEEN REVOKED OR REVERTED IN ANY COUNTY AFTER JULY 1, 2014 MAY BE REISSUED BY THE DIRECTOR IN THE COUNTY OF THEIR ISSUANCE. The director may waive the issuance of any series of new, REVOKED OR REVERTED licenses in a county for one year where there has been no request made to the department for the issuance of a new license of that series. For the purposes of this subsection, the population

1 of a county is deemed to be the population estimated by the office of
2 employment and population statistics within the Arizona department of
3 administration as of July 1 of each year.

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

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

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

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

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

40 H. The director may issue a beer and wine bar license to the holder of
41 a liquor store license issued simultaneously at the same premises. An
42 applicant for a liquor store license and a beer and wine bar license may
43 consolidate the application and may apply for both licenses at the same time.
44 The holder of each license shall fully comply with all applicable provisions

1 of this title. A liquor store license and a beer and wine bar license on the
2 same premises shall be owned by and issued to the same licensee.

3 I. The director may issue a restaurant license to the holder of a beer
4 and wine bar license issued simultaneously at the same premises. An
5 applicant for a restaurant license and a beer and wine bar license may
6 consolidate the application and may apply for both licenses at the same time.
7 The holder of each license shall fully comply with all applicable provisions
8 of this title. A restaurant license and a beer and wine bar license on the
9 same premises shall be owned by and issued to the same licensee. The
10 limitation set forth in subsection F of this section with respect to the
11 off-sale privileges of the beer and wine bar licenses shall be measured
12 against the on-sales of beer and wine sales of the establishment. For the
13 purposes of compliance with section 4-205.02, subsection H, paragraph 2, it
14 shall be conclusively presumed that all on premises sales of spirituous
15 liquors are made under the authority of the restaurant license.

16 J. An applicant for a liquor store license or a beer and wine store
17 license and the licensee of a liquor store license or a beer and wine store
18 license may apply for sampling privileges associated with the license. Beer
19 and wine store premises shall contain at least five thousand square feet in
20 order to be eligible for sampling privileges. A person desiring a sampling
21 privilege associated with a liquor store license shall apply to the director
22 on a form prescribed and furnished by the director. The application for
23 sampling privileges may be filed for an existing license or may be submitted
24 with an initial license application. The request for sampling approval, the
25 review of the application and the issuance of approval shall be conducted
26 under the same procedures for the issuance of a spirituous liquor license
27 prescribed in section 4-201. After a sampling privilege has been issued for
28 a liquor store license or a beer and wine store license, the sampling
29 privilege shall be noted on the license itself and in the records of the
30 department. The sampling rights associated with a license are not
31 transferable. Until January 1, 2015, the director may charge a fee for
32 processing the application for sampling privileges and a renewal fee as
33 provided in this section. A city or town shall not charge any fee relating
34 to the issuance or renewal of a sampling privilege. Notwithstanding section
35 4-244, paragraph 19, a liquor store licensee or a beer and wine store
36 licensee that holds a license with sampling privileges may provide spirituous
37 liquor sampling subject to the following requirements:

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

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

43 3. The licensed retailer shall make sales of sampled products from the
44 licensed retail premises.

1 4. The licensee shall not charge any customer for the sampling of any
2 products.

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

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

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

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

12 K. If a beer and wine bar license and a beer and wine store license
13 are issued at the same premises, for **THE** purposes of reporting liquor
14 purchases under each license, all spirituous beverages purchased for sampling
15 are conclusively presumed to be purchased under the beer and wine bar license
16 and all spirituous liquor sold off-sale are conclusively presumed to be
17 purchased under the beer and wine store license.

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

28 Sec. 14. Section 4-207, Arizona Revised Statutes, is amended to read:

29 4-207. Restrictions on licensing premises near school or church
30 buildings: definitions

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

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

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

- 1 2. Special event license issued pursuant to section 4-203.02.
- 2 3. Hotel-motel issued a license pursuant to section 4-205.01.
- 3 4. Government license issued pursuant to section 4-205.03.
- 4 5. ~~Fenced~~ Playing area of a golf course issued a license pursuant to
5 this article.

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

8 C. Notwithstanding subsection A of this section:
9 1. A TRANSFERRABLE spirituous liquor license ~~which~~ THAT is validly
10 issued and ~~which~~ THAT is, on the date an application for a transfer OR A
11 REPLACEMENT OF A TRANSFERRABLE LICENSE is filed, within three hundred
12 horizontal feet of a church, within three hundred horizontal feet of a public
13 or private school building with kindergarten programs or any of grades one
14 through twelve or within three hundred horizontal feet of a fenced
15 recreational area adjacent to such school building may be transferred person
16 to person OR BE REPLACED WITH A SIMILAR TRANSFERABLE LICENSE pursuant to
17 sections 4-201, 4-202 and 4-203 and remains in full force until the license
18 is terminated in any manner, unless renewed pursuant to section 4-209,
19 subsection A.

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

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

40 4. The governing body of a city or town, on a case-by-case basis, may
41 approve an exemption from the distance restrictions prescribed in this
42 section for a church or a public or private school that is located in an area
43 that is designated an entertainment district by the governing body of that
44 city or town. A city or town with a population of at least five hundred
45 thousand persons may designate no more than three entertainment districts

1 within the boundaries of the city or town pursuant to this paragraph. A city
2 or town with a population of at least two hundred thousand persons but less
3 than five hundred thousand persons may designate no more than two
4 entertainment districts within the boundaries of the city or town pursuant to
5 this paragraph. A city or town with a population of less than two hundred
6 thousand persons may designate no more than one entertainment district within
7 the boundaries of the city or town pursuant to this paragraph.

8 5. A person may be issued a beer and wine store license pursuant to
9 sections 4-201, 4-202, 4-203 and 4-206.01 for premises that have a liquor
10 store license validly issued if the premises, on the date of an application
11 for which ~~such~~ THE license is filed, are within three hundred horizontal feet
12 of a church, within three hundred horizontal feet of a public or private
13 school building with kindergarten programs or any of grades one through
14 twelve or within three hundred horizontal feet of a fenced recreation area
15 adjacent to such school building and the license remains in full force until
16 the license is terminated in any manner, unless renewed pursuant to section
17 4-209, subsection A.

18 D. For the purposes of this section:

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

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

31 Sec. 15. Section 4-209, Arizona Revised Statutes, is amended to read:

32 4-209. Fees for license, application, issuance, renewal and
33 transfer; late renewal penalty; seasonal operation;
34 surcharges

35 A. A fee shall accompany an application for an original license or
36 transfer of a license, or in case of renewal, shall be paid in advance.
37 Every license expires annually, except that a license may be renewed for a
38 two-year period pursuant to subsection M of this section if no compliance
39 penalties have been issued to that location during the year before the
40 renewal. A licensee who fails to renew the license on or before the due date
41 shall pay a penalty of one hundred fifty dollars which the licensee shall pay
42 with the renewal fee. A license renewal that is deposited, properly
43 addressed and postage prepaid in an official depository of the United States
44 mail on or before the due date shall be deemed filed and received by the
45 department on the date shown by the postmark or other official mark of the

1 United States postal service stamped on the envelope. If the due date falls
2 on a Saturday, Sunday or other legal holiday, the renewal shall be considered
3 timely if it is received by the department on the next business day. The
4 director may waive a late renewal penalty if good cause is shown by the
5 licensee. A licensee who fails to renew the license on or before the due
6 date may not sell, purchase or otherwise deal in spirituous liquor until the
7 license is renewed. A license that is not renewed within sixty days after
8 the due date is deemed terminated. The director may renew the terminated
9 license if good cause is shown by the licensee. An application fee for an
10 original license or the transfer of a license shall be one hundred dollars,
11 which shall be retained by this state.

12 B. Issuance fees for original licenses shall be:

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

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

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

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

21 5. For a government license issued in the name of a **STATE AGENCY**,
22 **STATE COMMISSION**, **STATE BOARD**, county, city, town, community college or state
23 university or **THE** national guard, one hundred dollars.

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

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

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

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

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

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

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

4 13. For a ~~domestic~~ farm winery license, one hundred dollars. **THE**
5 **DIRECTOR MAY CHARGE A LICENSED FARM WINERY A FEE PURSUANT TO SECTION**
6 **4-205.04, SUBSECTION D, E OR F.**

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

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

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

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

20 D. The annual fees for licenses shall be:

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

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

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

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

29 5. For a government license issued to a county, city or town,
30 community college or state university or the national guard, one hundred
31 dollars.

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

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

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

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

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

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

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

15 13. For a ~~domestic~~ farm winery license, one hundred dollars. **THE
16 DIRECTOR MAY CHARGE A LICENSED FARM WINERY AN ANNUAL FEE PURSUANT TO SECTION
17 4-205.04, SUBSECTION D, E OR F.**

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

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

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

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

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

33 G. Transfer fees from location to location, as provided for in section
34 4-203, shall be one hundred dollars.

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

42 I. No fee shall be charged by the department for an assignment of a
43 liquor license in probate or an assignment pursuant to the provisions of a
44 will or pursuant to a judicial decree in a domestic relations proceeding
45 which assigns ownership of a business which includes a spirituous liquor

1 license to one of the parties in the proceeding. In the case of
2 nontransferable licenses no fee shall be charged by the department for the
3 issuance of a license for a licensed business pursuant to a transfer of the
4 business in probate or pursuant to the provisions of a will or pursuant to a
5 judicial decree in a domestic relations proceeding which assigns ownership of
6 the business to one of the parties in the proceeding.

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

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

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

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

37 Sec. 16. Section 4-210, Arizona Revised Statutes, is amended to read:
38 4-210. Grounds for revocation, suspension and refusal to renew;
39 notice; complaints; hearings

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

43 1. There occurs on the licensed premises repeated acts of violence or
44 disorderly conduct.

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

4 3. The licensee or controlling person knowingly files with the
5 department an application or other document that contains material
6 information that is false or misleading or while under oath knowingly gives
7 testimony in an investigation or other proceeding under this title that is
8 false or misleading.

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

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

15 6. The licensee or controlling person obtains, assigns, transfers or
16 sells a spirituous liquor license without compliance with this title or
17 leases or subleases a license.

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

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

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

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

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

44 12. The licensee or controlling person knowingly associates with a
45 person who has engaged in racketeering, as defined in section 13-2301, or who

1 has been convicted of a felony, and the association is of a nature as to
2 create a reasonable risk that the licensee will fail to conform to the
3 requirements of this title or of any criminal statute of this state.

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

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

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

18 B. For the purposes of:

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

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

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

42 D. If the director finds, based on clear and convincing evidence in
43 the record, that a violation involves the use by the licensee of a
44 drive-through or walk-up service window or other physical feature of the
45 licensed premises that allows a customer to purchase spirituous liquor

1 without leaving the customer's vehicle or, with respect to a walk-up service
2 window that prevents the licensee from fully observing the customer, and that
3 the use of that drive-through or walk-up service window or other physical
4 feature caused the violation, the director may suspend or terminate the
5 licensee's use of the drive-through or walk-up service window or other
6 physical feature for the sale of spirituous liquor, in addition to any other
7 sanction.

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

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

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

1 any of the grounds set forth in subsection A of this section. Instead of
2 issuing a complaint, the director may provide for informal disposition of the
3 matter by consent agreement or may issue a written warning to the licensee.
4 If a warning is issued, the licensee may reply in writing and the director
5 shall keep a record of the warning and the reply.

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

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

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

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

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

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

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

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

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

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

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

5 2. The lienholder to pay any civil monetary penalty imposed on the
6 licensee.

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

15 Sec. 17. Section 4-212, Arizona Revised Statutes, is amended to read:

16 4-212. Injunctions

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

24 Sec. 18. Section 4-226, Arizona Revised Statutes, is amended to read:

25 4-226. Exemptions

26 The provisions of this title do not apply to:

27 1. Drugstores selling spirituous liquors only ~~upon~~ ~~ON~~ prescription.

28 2. Any confectionery candy containing less than five per cent by
29 weight of alcohol.

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

31 (a) Scientific, chemical, mechanical, industrial and medicinal
32 purposes.

33 (b) Use by those authorized to procure spirituous liquor or ethyl
34 alcohol tax-free, as provided by the acts of Congress and regulations
35 promulgated thereunder.

36 (c) In the manufacture of denatured alcohol produced and used as
37 provided by the acts of Congress and regulations promulgated thereunder.

38 (d) In the manufacture of patented, patent, proprietary, medicinal,
39 pharmaceutical, antiseptic, toilet, scientific, chemical, mechanical and
40 industrial preparations or products, unfit and not used for beverage
41 purposes.

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

44 4. The purchase, storage, distribution, service or consumption of wine
45 in connection with the bona fide practice of a religious belief or as an

1 integral part of a religious exercise by a church recognized by the United
2 States internal revenue service under section 501(c)(3) of the internal
3 revenue code and in a manner not dangerous to public health or safety. This
4 exemption does not apply to any alleged violation of section 4-244, paragraph
5 9, 34, 35 or ~~41~~ 40.

6 5. BEER PRODUCED FOR PERSONAL OR FAMILY USE THAT IS NOT FOR SALE. THE
7 BEER MAY BE REMOVED FROM THE PREMISES WHERE IT WAS MADE AND EXHIBITED AT
8 ORGANIZED AFFAIRS, EXHIBITIONS OR COMPETITIONS SUCH AS HOMEBREWER'S CONTESTS,
9 TASTING OR JUDGING.

10 Sec. 19. Section 4-227, Arizona Revised Statutes, is amended to read:
11 4-227. Spirituous liquor pricing; prohibition; definitions

12 A. Subject to subsection B of this section, a wholesaler shall sell
13 its product to a qualified retail cooperative without regard to the volume of
14 the product purchased by the cooperative at the lowest price at which the
15 wholesaler sells the product to any other retail licensee at or near the
16 location of the cooperative.

17 B. The provisions of subsection A of this section shall apply only to
18 a purchase by a retail cooperative of fifty cases or more of a product on a
19 single occasion.

20 C. A WHOLESALER MAY EMPLOY CHANNEL PRICING TO SELL ITS PRODUCT TO
21 ON-SALE LICENSEES AT A DIFFERENT PRICE THAN THE WHOLESALER SELLS ITS PRODUCT
22 TO OFF-SALE LICENSEES. ALL DISCOUNTS OFFERED BY A WHOLESALER WHEN THAT
23 WHOLESALER EMPLOYS CHANNEL PRICING MUST BE:

24 1. BASED ON VOLUME.
25 2. MADE EQUALLY AVAILABLE TO EACH RETAILER IN THAT RETAILERS' CHANNEL.

26 ~~C.~~ D. As used in this section:

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

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

33 Sec. 20. Section 4-229, Arizona Revised Statutes, is amended to read:
34 4-229. Licenses: handguns: posting of notice

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

40 1. Be posted in a conspicuous location accessible to the general
41 public and immediately adjacent to the liquor license posted on the licensed
42 premises.

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

1 3. Contain the words, "no firearms allowed pursuant to A.R.S. section
2 4-229".

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

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

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

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

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

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

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

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

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

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

31 1. Seeking emergency aid.

32 2. Determining whether a sign has been posted pursuant to subsection A
33 of this section.

34 Sec. 21. Section 4-241, Arizona Revised Statutes, is amended to read:

35 4-241. Selling or giving liquor to underage person; illegally
36 obtaining liquor by underage person; violation;
37 classification; definitions

38 A. If a licensee, an employee of the licensee or any other person
39 questions or has reason to question that the person ordering, purchasing,
40 attempting to purchase or otherwise procuring or attempting to procure the
41 serving or delivery of spirituous liquor or entering a portion of a licensed
42 premises when the primary use is the sale or service of spirituous liquor is
43 under the legal drinking age, the licensee, employee of the licensee or other
44 person shall do all of the following:

45 1. Demand identification from the person.

1 2. Examine the identification to determine that the identification
2 reasonably appears to be a valid, unaltered identification that has not been
3 defaced.

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

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

8 B. A licensee or an employee of the licensee who follows the
9 procedures prescribed in subsection A of this section and who records and
10 retains a record of the person's identification on this particular visit is
11 not in violation of subsection J of this section or section 4-244, paragraph
12 9 or 22. This defense applies to actions of the licensee and all employees
13 of the licensee after the procedure has been employed during the particular
14 visit to the licensed premises by the person. A licensee or an employee of
15 the licensee is not required to demand and examine identification of a person
16 pursuant to subsection A of this section if, during this visit to the
17 licensed premises by the person, the licensee or any employee of the licensee
18 has previously followed the procedure prescribed in subsection A of this
19 section.

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

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

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

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

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

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

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

9 1. A writing containing the type of identification, the date of
10 issuance of the identification, the name on the identification, the date of
11 birth on the identification and the signature of the person.

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

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

15 4. A photograph of the identification.

16 5. A digital copy of the identification.

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

23 K. The following written instruments are the only acceptable types of
24 identification:

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

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

32 3. An **UNEXPIRED** armed forces identification card **THAT INCLUDES THE**
33 **PERSON'S PICTURE AND DATE OF BIRTH**.

34 4. A valid unexpired passport or ~~border crossing identification~~ **A**
35 **VALID UNEXPIRED RESIDENT ALIEN** card that ~~is issued by a government or a voter~~
36 ~~card that is issued by the government of Mexico if the passport or card~~
37 contains a photograph of the person and the person's date of birth.

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

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

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

12 O. A person who uses a driver or nonoperating identification license
13 in violation of subsection L or N of this section is subject to suspension of
14 the driver or nonoperating identification license as provided in section
15 28-3309. A person who does not have a valid driver or nonoperating
16 identification license and who uses a driver or nonoperating identification
17 license of another in violation of subsection C or E of this section has the
18 person's right to apply for a driver or nonoperating identification license
19 suspended as provided by section 28-3309.

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

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

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

- 39 (a) Members of the immediate family of such person.
- 40 (b) Permanently residing with ~~such~~ THE person.

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

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

4 S. A peace officer shall forward or electronically transfer to the
5 director of the department of transportation the affidavit required by
6 section 28-3310 if the peace officer has arrested a person for the commission
7 of an offense for which, on conviction, suspension of the license or
8 privilege to operate a motor vehicle is required by section 28-3309,
9 subsection A, B or D, or if the peace officer has confiscated a false
10 identification document used by the person to gain access to licensed
11 premises.

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

14 U. Law enforcement agencies may use persons who are under the legal
15 drinking age to test compliance with this section and section 4-244,
16 paragraph 9 by a licensee if the law enforcement agency has reasonable
17 suspicion that the licensee is violating this section or section 4-244,
18 paragraph 9. A person who is under the legal drinking age and who purchases
19 or attempts to purchase spirituous liquor under the direction of a law
20 enforcement agency pursuant to this subsection is immune from prosecution for
21 that purchase or attempted purchase. Law enforcement agencies may use a
22 person under the legal drinking age pursuant to this subsection only if:

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

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

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

28 4. A photograph of the person is taken no more than twelve hours
29 before the purchase or attempted purchase. The photograph shall accurately
30 depict the person's appearance and attire. A licensee or an employee of a
31 licensee who is cited for selling spirituous liquor to a person under the
32 legal drinking age pursuant to this subsection shall be permitted to inspect
33 the photograph immediately after the citation is issued. The person's
34 appearance at any trial or administrative hearing that results from a
35 citation shall not be substantially different from the person's appearance at
36 the time the citation was issued.

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

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

41 V. The department may adopt rules to carry out the purposes of this
42 section.

1 Sec. 22. Section 4-242, Arizona Revised Statutes, is amended to read:

2 **4-242. Sale of liquor on credit prohibited; exceptions**

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

14 B. **ANY WHOLESALER OR PRODUCER MAY ENGAGE IN CREDIT TRANSACTIONS WITH**
15 **ANY OTHER WHOLESALER OR PRODUCER.**

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

17 **4-243. Commercial coercion or bribery unlawful; exceptions**

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

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

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

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

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

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

38 6. To guarantee a loan or repayment of a financial obligation of the
39 retailer.

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

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

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

1 B. This section does not prohibit any distiller, vintner, brewer,
2 rectifier, blender or other producer or wholesaler of any spirituous liquor
3 from:

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

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

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

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

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

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

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

24 (f) All sampling procedures shall comply with federal sampling laws
25 and regulations.

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

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

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

33 (c) Sampling shall be limited to three ounces of beer, one and
34 one-half ounces of wine or one ounce of distilled spirits per person per day
35 **FOR CONSUMPTION ON THE PREMISES AND UP TO TWELVE OUNCES OF BEER, SEVEN**
HUNDRED FIFTY MILLILITERS OF WINE AND THREE OUNCES OF DISTILLED SPIRITS PER
PERSON PER DAY FOR CONSUMPTION OFF THE PREMISES.

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 24. Section 4-243.01, Arizona Revised Statutes, is amended to read:

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

A. It is unlawful:

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

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

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

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

14 (b) A wholesaler ~~who~~ THAT is the designated representative of the
15 primary source of supply in this state and ~~who~~ THAT has purchased such
16 spirituous liquor from the designated representative of the primary source of
17 supply within or without this state.

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

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

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

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

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

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

33 E. For the purposes of this section:

34 1. "Primary source of supply" means the distiller, producer, owner of
35 the commodity at the time it becomes a marketable product, bottler or
36 exclusive agent of any such distributor or owner. In the case of imported
37 products, the primary source of supply means either the foreign producer,
38 owner, bottler or agent or the prime importer from, or the exclusive agent
39 in, the United States of the foreign distiller, producer, bottler or owner.

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

1 Sec. 25. Section 4-244, Arizona Revised Statutes, is amended to read:

2 **4-244. Unlawful acts**

3 It is unlawful:

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

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

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

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

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

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

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

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

37 9. Except as provided in paragraphs 10 and 11 of this section, for a
38 licensee or other person to sell, furnish, dispose of or give, or cause to be
39 sold, furnished, disposed of or given, to a person under the legal drinking
40 age or for a person under the legal drinking age to buy, receive, have in the
41 person's possession or consume spirituous liquor. This paragraph shall not
42 prohibit the employment by an off-sale retailer of persons who are at least
43 sixteen years of age to check out, if supervised by a person on the premises
44 who is at least nineteen years of age, package or carry merchandise,
45 including spirituous liquor, in unbroken packages, for the convenience of the

1 customer of the employer, if the employer sells primarily merchandise other
2 than spirituous liquor.

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

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

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

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

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

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

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

40 (d) An unpaid volunteer who is a bona fide member of a club and who is
41 not engaged in waiting on or serving spirituous liquor to customers may
42 purchase for himself and consume spirituous liquor while participating in a
43 scheduled event at the club. An unpaid participant in a food competition may
44 purchase for himself and consume spirituous liquor while participating in the
45 food competition.

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

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

24 16. For a licensee or employee to knowingly permit any person on or
25 about the licensed premises to give or furnish any spirituous liquor to any
26 person under twenty-one years of age or knowingly permit any person under
27 twenty-one years of age to have in the person's possession spirituous liquor
28 on the licensed premises.

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

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

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

42 20. For a person to consume spirituous liquor in a public place,
43 thoroughfare or gathering. The license of a licensee permitting a violation
44 of this paragraph on the premises shall be subject to revocation. This
45 paragraph does not apply to the sale of spirituous liquors on the premises of

1 and by an on-sale retailer. This paragraph also does not apply to a person
2 consuming beer from a broken package in a public recreation area or on
3 private property with permission of the owner or lessor or on the walkways
4 surrounding such private property or to a person consuming beer or wine from
5 a broken package in a public recreation area as part of a special event or
6 festival that is conducted under a license secured pursuant to section
7 4-203.02 or 4-203.03.

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

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

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

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

39 (i) An active duty military service member.

40 (ii) A veteran.

41 (iii) A member of the United States army national guard or the United
42 States air national guard.

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

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

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

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

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

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

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

21 26. For a licensee or employee to knowingly permit unlawful gambling on
22 the premises.

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

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

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

37 (a) Hotel or motel guest room accommodations.

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

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

43 30. For a licensee or employee to knowingly permit a person in
44 possession of a firearm other than a peace officer or a member of a sheriff's
45 volunteer posse while on duty who has received firearms training that is

1 approved by the Arizona peace officer standards and training board, the
2 licensee or an employee of the licensee acting with the permission of the
3 licensee to remain on the licensed premises or to serve, sell or furnish
4 spirituous liquor to a person in possession of a firearm while on the
5 licensed premises of an on-sale retailer. It shall be a defense to action
6 under this paragraph if the licensee or employee requested assistance of a
7 peace officer to remove such person. This paragraph shall not apply to:

8 (a) Hotel or motel guest room accommodations.
9 (b) The exhibition or display of a firearm in conjunction with a
10 meeting, show, class or similar event.

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

14 31. For any person in possession of a firearm while on the licensed
15 premises of an on-sale retailer to consume spirituous liquor. This paragraph
16 does not prohibit the consumption of small amounts of spirituous liquor by an
17 undercover peace officer on assignment to investigate the licensed
18 establishment.

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

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

26 (b) A person who is in licensed premises that have noncontiguous
27 portions that are separated by a public or private walkway or driveway and
28 who takes spirituous liquor from one portion of the licensed premises across
29 the public or private walkway or driveway directly to the other portion of
30 the licensed premises.

31 (c) A bar, beer and wine bar, liquor store, beer and wine store or
32 ~~domestic~~ microbrewery licensee who dispenses beer only in a clean ~~glass~~
33 container **COMPRISED OF A MATERIAL APPROVED BY A NATIONAL SANITATION**
34 **ORGANIZATION** with a maximum capacity that does not exceed one gallon and not
35 for consumption on the premises ~~as long as~~ **IF**:

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

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

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

42 The department shall review the effects of this subdivision and submit a
43 report by July 1, 2015 on the effects of this subdivision to the governor,
44 the speaker of the house of representatives and the president of the senate.
45 The department shall provide a copy of this report to the secretary of state.

1 33. For a person who is obviously intoxicated to buy or attempt to buy
2 spirituous liquor from a licensee or employee of a licensee or to consume
3 spirituous liquor on licensed premises.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 26. Section 4-244.04, Arizona Revised Statutes, is amended to read:

4-244.04. Farm winery sampling

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

Sec. 27. Section 4-250.01, Arizona Revised Statutes, is amended to read:

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

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

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

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

11 Sec. 28. Section 42-3001, Arizona Revised Statutes, is amended to
12 read:

13 **42-3001. Definitions**

14 In this chapter, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

11 9. 10. "Distributor" means any person who manufactures, produces,
12 ships, transports or imports into this state or in any manner acquires or
13 possesses for the purpose of making the first sale of the following:

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

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

17 10. ~~"Domestic farm winery" has the same meaning prescribed in section~~
18 ~~4-101.~~

19 11. ~~"Domestic microbrewery" has the same meaning prescribed in section~~
20 ~~4-101.~~

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

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

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

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

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

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

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

33 15. 16. "Person" means any individual, firm, partnership, joint
34 venture, association, corporation, municipal corporation, estate, trust,
35 club, society or other group or combination acting as a unit, and the plural
36 as well as the singular number.

37 16. 17. "Retailer" means any person ~~who THAT~~ comes into possession of
38 any luxury subject to the taxes imposed by this chapter for the purpose of
39 selling it for consumption and not for resale.

40 17. 18. "Spirituous liquor" means any liquid that contains more than
41 one-half of one per cent alcohol by volume, that is produced by distillation
42 of any fermented substance and that is used or prepared for use as a
43 beverage. Spirituous liquor does not include medicines that are unsuitable
44 for beverage purposes.

1 18. 19. "Tobacco products" means all luxuries included in section
2 42-3052, paragraphs 5 through 9, ~~except that for the purposes of article 5.1~~
3 ~~of this chapter tobacco products has the same meaning prescribed in section~~
4 ~~42-3221.~~

5 19. 20. "Vinous liquor" means any liquid that contains more than
6 one-half of one per cent alcohol by volume and that is made by the process of
7 fermentation of grapes, berries, fruits, vegetables or other substances but
8 does not include:

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

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

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

13 20. 21. "Wholesaler" means a person ~~who~~ THAT sells any spirituous,
14 vinous or malt liquor taxed under this chapter to retail dealers or for the
15 purposes of resale only.

16 Sec. 29. Section 42-3355, Arizona Revised Statutes, is amended to
17 read:

18 42-3355. Return and payment by farm wineries, microbreweries
19 and craft distillers

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

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

32 C. EVERY CRAFT DISTILLER SELLING A SPIRITUOUS LIQUOR AT RETAIL OR TO A
33 RETAIL LICENSEE PURSUANT TO TITLE 4, CHAPTER 2, MANUFACTURED OR PRODUCED ON
34 THE PREMISES OR A DISTILLER OF SPIRITUOUS LIQUOR THAT SELLS AT RETAIL
35 PURSUANT TO SECTION 4-243.02 SHALL PAY THE TAX UNDER THIS CHAPTER ON ALL
36 SPIRITUOUS LIQUOR SOLD AT RETAIL OR TO A RETAIL LICENSEE WITHIN THIS STATE
37 AND ADD THE AMOUNT OF THE TAX TO THE SALES PRICE.

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

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

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

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

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

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

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

14 Sec. 30. Section 42-3356, Arizona Revised Statutes, is amended to
15 read:

42-3356. Bonds required of farm wineries; exemption

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

25 B. The department shall fix the total amount of the bond or bonds
26 required of the ~~domestic~~ farm winery and may increase or reduce the total
27 amount at any time. In fixing the total amount, the department shall require
28 a bond or bonds equivalent in total amount to twice the ~~domestic~~ farm
29 winery's estimated monthly tax, ascertained in a manner deemed proper by the
30 department. The total amount of the bond or bonds required of any ~~domestic~~
31 farm winery shall not be less than five hundred dollars.

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

Sec. 31. Existing domestic farm winery licenses; temporary exemption; other existing licenses

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

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

6 Sec. 32. Effective date

7 Section 4-205.10, Arizona Revised Statutes, as added by this act, is
8 effective from and after June 30, 2018.