CHAPTE R 168

HOUSE BILL 2337

AN ACT

AMENDING SECTIONS 4-101, 4-111, 4-201, 4-203, 4-203.02, 4-205, 4-205.02, 4-205.10 AND 4-205.11, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 4-205.12; AMENDING SECTIONS 4-206.01, 4-209, 4-213, 4-243 AND 4-250.01, ARIZONA REVISED STATUTES; RELATING TO LIQUOR LICENSES.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

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

4-101. Definitions
In this title, unless the context otherwise requires:
1. "Act of violence" means an incident consisting of a riot, a brawl or a disturbance, in which bodily injuries are sustained by any person and such injuries would be obvious to a reasonable person, or tumultuous conduct of sufficient intensity as to require the intervention of a peace officer to restore normal order, or an incident in which a weapon is brandished, displayed or used. Act of violence does not include the use of nonlethal devices by a peace officer.
2. "Aggrieved party" means a person who resides at, owns or leases property within a one mile radius of a premises proposed to be licensed and who filed a written request with the department to speak in favor of or opposition to the issuance of the license no later than sixty days after the filing of the application or fifteen days after action by the local governing body, whichever is sooner.
3. "Beer" means any beverage obtained by the alcoholic fermentation, infusion or decoction of barley malt, hops, or other ingredients not drinkable, or any combination of them.
4. "Board" means the state liquor board.
5. "Bona fide guest" means:
   (a) An individual who is personally familiar to the member, who is personally sponsored by the member and whose presence as a guest is in response to a specific and personal invitation.
   (b) In the case of a club that meets the criteria prescribed in paragraph 7, subdivision (a) of this section, a current member of the armed services of the United States who presents proper military identification and any member of a recognized veterans' organization of the United States and of any country allied with the United States during current or past wars or through treaty arrangements.
6. "Broken package" means any container of spirituous liquor on which the United States tax seal has been broken or removed, or from which the cap, cork or seal placed thereupon by the manufacturer has been removed.
7. "Club" includes any of the following organizations where the sale of spirituous liquor for consumption on the premises is made to members only:
   (a) A post, chapter, camp or other local unit composed solely of veterans and its duly recognized auxiliary that has been chartered by the Congress of the United States for patriotic, fraternal or benevolent purposes and that has, as the owner, lessee or occupant, operated an establishment for that purpose in this state.
(b) A chapter, aerie, parlor, lodge or other local unit of an American national fraternal organization that has, as the owner, lessee or occupant, operated an establishment for fraternal purposes in this state. An American national fraternal organization as used in this subdivision shall actively operate in not less than thirty-six states or have been in active continuous existence for not less than twenty years.

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

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

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

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

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

9. "Control" means the power to direct or cause the direction of the management and policies of an applicant OR licensee or controlling person, whether through the ownership of voting securities or a
partnership interest, by agreement or otherwise. Control is presumed to
exist if a person has the direct or indirect ownership of or power to vote
ten percent or more of the outstanding voting securities of the
applicant, OR licensee or controlling person or to control in any manner
the election of one or more of the directors of the applicant, OR
licensee or controlling person. In the case of a partnership, control is
presumed to mean the general partner or a limited partner who holds ten
percent or more of the voting rights of the partnership. For the purposes
of determining the percentage of voting securities owned, controlled or
held by a person, there shall be aggregated with the voting securities
attributed to the person the voting securities of any other person
directly or indirectly controlling, controlled by or under common control
with the other person, or by an officer, partner, employee or agent of the
person or by a spouse, parent or child of the person. Control is also
presumed to exist if a creditor of the applicant, OR licensee or
controlling person holds a beneficial interest in ten percent or more of
the liabilities of the licensee or controlling person. The presumptions
in this paragraph regarding control are rebuttable.

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

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

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

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

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

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

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

17. "Government license" means a license to serve and sell
spirits of proof on specified premises available only to a state agency,
state board, state commission, county, city, town, community college or
state university or the national guard or Arizona coliseum and exposition
center on application by the governing body of a state agency, state
board, state commission, county, city, town, community college or state
university or the national guard or Arizona exposition and state fair
board.

18. "Legal drinking age" means twenty-one years of age or older.
19. "License" means a license or an interim retail permit issued
pursuant to this title.
20. "License fees" means fees collected for license issuance,
license application, license renewal, interim permit issuance and license
transfer between persons or locations.
21. "Licensee" means a person who has been issued a license or an
interim retail permit pursuant to this title or a special event licensee.
22. "Manager" means a natural person who meets the standards
required of licensees and who has authority to organize, direct, carry on,
control or otherwise operate a licensed business on a temporary or
full-time basis.
23. "Microbrewery" means a brewery in the United States or in a
territory or possession of the United States that meets the requirements
of section 4-205.08.
24. "Off-sale retailer" means any person operating a bona fide
regularly established retail liquor store selling spirituous liquors,
wines and beer, and any established retail store selling commodities other
than spirituous liquors and engaged in the sale of spirituous liquors only
in the original unbroken package, to be taken away from the premises of
the retailer and to be consumed off the premises.
25. "On-sale retailer" means any person operating an establishment
where spirituous liquors are sold in the original container for
consumption on or off the premises or in individual portions for
consumption on the premises.
BUILDING OR FACILITY AS SET BY THE FIRE MARSHAL FOR THE JURISDICTION IN
WHICH THE BUILDING OR FACILITY IS LOCATED.
27. "Person" includes a partnership, limited liability
company, association, company or corporation, as well as a natural person.
28. "Premises" or "licensed premises" means the area from
which the licensee is authorized to sell, dispense or serve spirituous
liquors under the provision of the license. Premises or licensed premises
includes a patio that is not contiguous to the remainder of the premises
or licensed premises if the patio is separated from the remainder of the
premises or licensed premises by a public or private walkway or driveway
not to exceed thirty feet, subject to rules the director may adopt to
establish criteria for noncontiguous premises.
29. "Registered mail" includes certified mail.
29. "Registered retail agent" means any person who is authorized pursuant to section 4-222 to purchase spirituous liquors for and on behalf of himself and other retail licensees.

30. "Repeated acts of violence" means:
   (a) For licensed premises with a permanent occupancy of two hundred or fewer persons, two or more acts of violence occurring within seven days or three or more acts of violence occurring within thirty days.
   (b) For licensed premises with a permanent occupancy of more than two hundred but not more than four hundred persons, four or more acts of violence within thirty days.
   (c) For licensed premises with a permanent occupancy of more than four hundred but not more than six hundred fifty persons, five or more acts of violence within thirty days.
   (d) For licensed premises with a permanent occupancy of more than six hundred fifty but not more than one thousand fifty persons, six or more acts of violence within thirty days.
   (e) For licensed premises with a permanent occupancy of more than one thousand fifty persons, seven or more acts of violence within thirty days. For the purposes of this paragraph, "permanent occupancy" means the maximum occupancy of the building or facility as set by the fire marshal for the jurisdiction in which the building or facility is located.

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

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

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

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

35. "Veteran" means a person who has served in the United States air force, army, navy, marine corps or coast guard, as an active nurse in the services of the American red cross, in the army and navy nurse corps in time of war, or in any expedition of the armed forces of the United States, and who has received a discharge other than dishonorable.
"Voting security" means any security presently entitling the owner or holder of the security to vote for the election of directors of an applicant, licensee or controlling person.

"Wine" means the product obtained by the fermentation of grapes, other agricultural products containing natural or added sugar or cider or any such alcoholic beverage fortified with grape brandy and containing not more than twenty-four percent of alcohol by volume.

Sec. 2. Section 4-111, Arizona Revised Statutes, is amended to read:

4-111. State liquor board; department of liquor licenses and control; members; director; appointment and removal

A. The department of liquor licenses and control is established consisting of the state liquor board and the office of director of the department.

B. From and after January 31, 2003, the board consists of seven members to be appointed by the governor pursuant to section 38-211. Five members of the board shall not be financially interested directly or indirectly in business licensed to deal with spirituous liquors. Two members shall currently be engaged in business in the spirituous liquor industry or have been engaged in the past in business in the spirituous liquor industry, at least one of whom shall currently be a retail licensee or employee of a retail licensee. One member shall be a member of a neighborhood association recognized by a county, city or town. The term of members is three years. Members' terms expire on the third Monday in January of the appropriate year. The governor may remove any member of the board for cause. No member may represent ANOTHER licensee before the board or the department for a period of one year after the conclusion of the member's service on the board.

C. The board shall annually elect from its membership a chairman and vice-chairman. A majority of the board constitutes a quorum, and a concurrence of a majority of a quorum is sufficient for taking any action. If there are unfilled positions on the board, a majority of those persons appointed and serving on the board constitutes a quorum.

D. The chairman may designate panels of not less than three members. A panel may take any action that the board is authorized to take pursuant to this title. Such action includes the ability to hold hearings and hear appeals of administrative disciplinary proceedings of licenses issued pursuant to this chapter. A panel shall not, however, adopt rules as provided in section 4-112, subsection A, paragraph 2. The chairman may from time to time add additional members or remove members from a panel. A majority of a panel may upon the concurrence of a majority of the members of the panel take final action on hearings and appeals of administrative disciplinary proceedings concerning licenses issued pursuant to this chapter.
E. Members of the board are entitled to receive compensation at the rate of fifty dollars per day while engaged in the business of the board.

F. A person shall not be appointed to serve on the board unless the person has been a resident of this state for not less than five years before the person's appointment. No more than four members may be of the same political party. Persons eligible for appointment shall have a continuous recorded registration pursuant to title 16, chapter 1 with the same political party or as an independent for at least two years immediately preceding appointment. No more than two members may be appointed from the same county.

G. The governor shall appoint the director, pursuant to section 38-211, who shall be a qualified elector of the state and experienced in administrative matters and enforcement procedures. The director shall serve at the pleasure of the governor.

H. The director is entitled to receive a salary as determined pursuant to section 38-611.

Sec. 3. Section 4-201, Arizona Revised Statutes, is amended to read:

4-201. Licensing; application procedure in city, town or county; burden of proof

A. A person desiring a license to manufacture, sell or deal in spirituous liquors shall make application to the director on a form prescribed and furnished by the director.

B. A person desiring a license within an incorporated city or town shall make the application in triplicate and shall file the copies with the director. The director shall remit two copies to the city or town clerk. The city or town clerk shall immediately file one copy in the clerk's office and post the other for a period of twenty days in a conspicuous place on the front of the premises where the business is proposed to be conducted, with a statement requiring any natural person who is a bona fide resident residing or owning or leasing property within a one mile radius from the premises proposed to be licensed, and who is in favor of or opposed to the issuance of the license, to file written arguments in favor of or opposed to the issuance of the license with the clerk within twenty days after the date of posting. The posting shall be limited to a copy of the license application and shall not contain any attachments filed with the application. The written argument shall contain the natural person's complete name, street address or post office box address and written or electronic signature. If the written arguments are filed by a person on behalf of a corporation or other legal entity or association, the written arguments must be accompanied by a copy of the entity's organizing document, a designation of the office or position that the person holds within the organization and a copy of the written appointment of the person to speak on behalf of the organization. If the written arguments are filed by a neighborhood association, block watch or
other unincorporated association, written arguments must be accompanied by
a letter of authority designating that person as a spokesperson. The
posting shall contain substantially the following:

Notice

A hearing on a liquor license application shall be held before
the local governing body at the following date, time and
place:
(Insert date, time and address)
The local governing body will recommend to the state liquor
board whether the board should grant or deny the license. The
state liquor board may hold a hearing to consider the
recommendation of the local governing body. Any person
residing or owning or leasing property within a one-mile
radius may contact the state liquor board in writing to
register as a protestor. To request information regarding
procedures before the board and notice of any board hearings
regarding this application, contact the state liquor board at:
(Insert address and telephone number).
No arguments shall be filed or accepted by the city or town clerk
thereafter. This subsection shall not be construed to prevent a bona fide
resident residing or owning or leasing property within a one-mile radius
from the premises proposed to be licensed from testifying in favor of or
in opposition to the issuance of the license, regardless of whether or not
the person is a user or nonuser of spirituous liquor.

C. The governing body of the city, town or county shall then enter
an order recommending approval or disapproval within sixty days after
filing of the application and shall file a certified copy of the order
with the director. If the recommendation is for disapproval, a statement
of the specific reasons containing a summary of the testimony or other
evidence supporting the recommendation for disapproval shall be attached
to the order. All petitions submitted to the governing body within the
twenty-day period for filing protests shall be transmitted to the director
with the certified copy of the order.

D. If a person applies for a license to conduct a spirituous liquor
business outside an incorporated city or town, the director shall remit
two copies of the application to the clerk of the board of supervisors of
the county where the applicant desires to do business, and the proceedings
by the clerk and board of supervisors shall be as provided for cities and
towns.

E. On receipt of an application for a spirituous liquor license,
the director shall set the application for hearing by the board on a date
following the expiration of the time fixed for the submitting of the
certified order by the governing body of the city or town or the board of
supervisors. If the city or town or the county recommends approval of the
license no hearing is required unless the director, the board or any
aggrieved party requests a hearing on the grounds that the public
convenience and the best interest of the community will not be
substantially served if a license is issued. Any natural person residing
or owning or leasing property within a one mile radius of the proposed
location may file a written protest with the director not later than
fifteen calendar days following action by the local governing body
or sixty days after filing the application, whichever is sooner. The
written argument shall contain the natural person's complete name, street
address or post office box address and written or electronic signature.
If the written arguments are filed by a person on behalf of a corporation
or other legal entity or association, the written arguments must be
accompanied by a copy of the entity's organizing document, a designation
of the office or position that the person holds within the organization
and a copy of the written appointment of the person to speak on behalf of
the organization. If the written arguments are filed by a neighborhood
association, block watch or other unincorporated association, written
arguments must be accompanied by a letter of authority designating that
person as a spokesperson. If no hearing is requested by the director, the
board or any aggrieved party, the application may be approved by the
director. If the recommendation is for disapproval of an application, the
board shall hold a hearing. If the city, town or county recommends
approval of the license pursuant to subsection C of this section or makes
no recommendation, the director may cancel the hearing and issue the
license unless the board or any aggrieved party requests a hearing. If
the reason for the protest is clearly removed or deemed satisfied by the
director, the board shall cancel the hearing. If the board cancels the
hearing, the department may administratively issue an order without the
applicant licensee or other parties present. The certified order, the
reasons contained in the order and the summary of the testimony and other
evidence supporting the city, town or county disapproval of the
recommendation shall be read into the record before the board and shall be
considered as evidence by the board. The board shall consider the
certified order together with other facts and a report of the director
relating to the qualifications of the applicant. If the governing body of
the city or town or the board of supervisors fails to return to the
director, as provided in subsections C and D of this section, its order of
disapproval, no hearing is required. An application shall be approved or
disapproved within one hundred five days after filing of the application.
If, after a hearing by the board where a license has been approved, a
formal written order is not entered within thirty days after the hearing,
the decision of the board shall be deemed entered on the thirtieth day
after the hearing.

F. A hearing may be conducted by an administrative law judge at the
request of the board to make findings and recommendations for use by the
board in determining whether to grant or deny a license. The
administrative law judge shall submit a report of findings to the board within twenty days of AFTER the hearing. The board may affirm, reverse, adopt, modify, supplement, amend or reject the administrative law judge's report in whole or in part.

G. Except for a person to person transfer of a transferable license for use at the same location and as otherwise provided in section 4-203, subsection A, in all proceedings before the governing body of a city or town, the board of supervisors of a county or the board, the applicant bears the burden of showing that the public convenience requires and that the best interest of the community will be substantially served by the issuance of a license.

H. In order to prevent the proliferation of spirituous liquor licenses the department may deny a license to a business on the grounds that such business is inappropriate for the sale of spirituous liquor. An inappropriate business is one that cannot clearly demonstrate that the sale of spirituous liquor is directly connected to its primary purpose and that the sale of spirituous liquor is not merely incidental to its primary purpose.

I. The board shall adopt, by rule, guidelines setting forth criteria for use in determining whether the public convenience requires and the best interest of the community will be substantially served by the issuance or transfer of a liquor license at the location applied for. These guidelines shall govern the recommendations and other approvals of the department and the local governing authority.

J. If the governing body of a city or town recommends disapproval by a two-thirds vote of the members present and voting on an application for the issuance or transfer of a spirituous liquor license that, if approved, would result in a license being issued at a location either having no license or having a license of a different series, the application shall not be approved unless the board decides to approve the application by a two-thirds vote of the members present and voting.

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

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

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

B. The license shall be to manufacture, sell or deal in spirituous liquors only at the place and in the manner provided in the license. A separate license shall be issued for each specific business, and each shall specify:
1. The particular spirituous liquors that the licensee is authorized to manufacture, sell or deal in.
2. The place of business for which issued.
3. The purpose for which the liquors may be manufactured or sold.

C. A spirituous liquor license issued to a bar, a liquor store or a beer and wine bar shall be transferable as to any permitted location within the same county, provided such transfer meets the requirements of an original application. A spirituous liquor license may be transferred to a person qualified to be a licensee, provided such transfer is pursuant to either judicial decree, nonjudicial foreclosure of a legal or equitable lien, including security interests held by financial institutions pursuant to section 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.

D. All applications for a new license pursuant to section 4-201 or for a transfer to a new location pursuant to subsection C of this section shall be filed with and determined by the director, except when the governing body of the city or town or the board of supervisors receiving an application pursuant to section 4-201 orders disapproval of the application or when the director, the state liquor board or any aggrieved party requests a hearing. The application shall then be presented to the state liquor board, and the new license or transfer shall not become effective unless approved by the state liquor board.

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

F. If a person other than those persons originally licensed acquires control over a license or licensee, the person shall file notice of the acquisition with the director within thirty business days after the acquisition of control and a list of officers, directors or other
controlling persons on a form prescribed by the director. **THERE IS NO**
**ACQUISITION OF CONTROL IF A NEW PERSON IS ADDED TO THE OWNERSHIP OF A**
LICENSEE’S BUSINESS BUT THE CONTROLLING PERSONS REMAIN IDENTICAL TO THE
CONTROLLING PERSONS THAT HAVE BEEN PREVIOUSLY DISCLOSED TO THE DIRECTOR AS
PART OF THE LICENSEE’S EXISTING OWNERSHIP. All officers, directors or
other controlling persons shall meet the qualifications for licensure as
prescribed by this title. On request, the director shall conduct a
preinvestigation before the assignment, sale or transfer of control of a
license or licensee, the reasonable costs of which, not to exceed one
thousand dollars, shall be borne by the applicant. The preinvestigation
shall determine whether the qualifications for licensure as prescribed by
this title are met. On receipt of notice of an acquisition of control or
request of a preinvestigation, the director, **shall forward the notice**
within fifteen days to the local governing body of the city or town, if
the licensed premises is in an incorporated area, or the county, if the
licensed premises is in an unincorporated area. The local governing body
of the city, town or county may protest the acquisition of control within
sixty days based on the capability, reliability and qualification of the
person acquiring control. If the director does not receive any protests,
the director may protest the acquisition of control or approve the
acquisition of control based on the capability, reliability and
qualification of the person acquiring control. Any protest shall be set
for a hearing before the board. Any transfer shall be approved or
disapproved within one hundred five days after the filing of the notice of
acquisition of control **WITHIN FIFTEEN DAYS AFTER RECEIPT, SHALL FORWARD**
THE NOTICE OF THE ACQUISITION OF CONTROL TO THE LOCAL GOVERNING BODY OF
THE CITY OR TOWN, IF THE LICENSED PREMISES IS IN AN INCORPORATED AREA, OR
THE COUNTY, IF THE LICENSED PREMISES IS IN AN UNINCORPORATED AREA. THE
DIRECTOR SHALL INCLUDE IN THE NOTICE TO THE LOCAL GOVERNING BODY WRITTEN
INSTRUCTIONS ON HOW THE LOCAL GOVERNING BODY MAY EXAMINE, FREE OF CHARGE,
THE RESULTS OF THE DEPARTMENT’S INVESTIGATION REGARDING THE CAPABILITIES,
QUALIFICATIONS AND RELIABILITY OF ALL OFFICERS, DIRECTORS OR OTHER
CONTROLLING PERSONS LISTED IN THE APPLICATION FOR ACQUISITION OF
CONTROL. THE LOCAL GOVERNING BODY MAY PROVIDE THE DIRECTOR WITH A
RECOMMENDATION, EITHER IN FAVOR OF OR AGAINST THE ACQUISITION OF CONTROL,
WITHIN SIXTY DAYS AFTER THE DIRECTOR MAILS THE NOTICE, BUT **SECTION 4-201**
**DOES NOT APPLY TO THE ACQUISITION OF CONTROL PROVIDED FOR IN THIS**
SECTION. A LOCAL GOVERNING BODY MAY CHARGE NOT MORE THAN ONE FEE,
REGARDLESS OF THE NUMBER OF LICENSES HELD BY THE APPLICANT, FOR REVIEW OF
ONE OR MORE APPLICATIONS FOR ACQUISITION OF CONTROL SUBMITTED TO THE
DEPARTMENT AT THE SAME TIME AND FOR THE SAME ENTITY. **WITHIN ONE HUNDRED**
FIVE DAYS AFTER FILING NOTICE OF THE ACQUISITION OF CONTROL, THE DIRECTOR
SHALL DETERMINE WHETHER THE APPLICANT IS QUALIFIED, CAPABLE AND RELIABLE
FOR LICENSURE. A RECOMMENDATION BY THE LOCAL GOVERNING BODY AGAINST THE
ACQUISITION OF CONTROL OR DENIAL BY THE DIRECTOR SHALL BE SET FOR A
HEARING BEFORE THE BOARD. The person who has acquired control of a license or licensee has the burden of an original application at the hearing, and the board shall make its determination pursuant to section 4-202 and this section with respect to capability, reliability and qualification.

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

H. A restructuring of a licensee's business is NEITHER an acquisition of control pursuant to subsection F of this section and is NOR a transfer of a spirituous liquor license and not NOR the issuance of a new spirituous liquor license if both of the following apply:

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

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

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

J. Notwithstanding subsection B of this section, the holder of a retail license having off-sale privileges may deliver spirituous liquor off of the licensed premises in connection with the sale of spirituous liquor. The licensee may maintain a delivery service and shall be liable for any violation committed in connection with any sale or delivery of spirituous liquor, provided that such delivery is made by an employee who is at least twenty-one years of age. The retail licensee shall collect payment for the price of the spirituous liquor no later than at the time of delivery. The director shall adopt rules that set operational limits for the delivery of spirituous liquors by the holder of a retail license having off-sale privileges. For the purposes of this subsection, an independent contractor or the employee of an independent contractor is deemed to be an employee of the licensee when making a sale or delivery of spirituous liquor for the licensee.
K. Except as provided in subsection J of this section, Arizona licensees may transport spirituous liquors for themselves in vehicles owned, leased or rented by such licensee.

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

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

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

O. If a licensed location has not been in use for **two** THREE years, the location must requalify for a license pursuant to subsection A of this section and shall meet the same qualifications required for issuance of a new license except when the director deems that the nonuse of the location was due to circumstances beyond the licensee's control **AND AN EXTENSION OF TIME HAS BEEN GRANTED PURSUANT TO SUBSECTION G OF THIS SECTION**.

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

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

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

**4-203.02. Special event license: rules**

A. The director may issue on a temporary basis:

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

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

B. Before the director may issue a temporary special event license, a special event that is to occur at an otherwise unlicensed location or by a licensee at a location that is not fully within the licensee's existing licensed premises must be approved by the board of supervisors of a county if the event is to be held in an unincorporated area or by the governing body of the city or town if the event is to be held in a city or town.
C. The approval process prescribed in this section does not apply to physical locations that are fully within premises licensed pursuant to this title.

D. A physical location, other than a physical location that is owned, operated, leased, managed or controlled by the United States, this state or a city, town or county of this state, that is not licensed pursuant to this title may not be issued more than twelve A TOTAL OF THIRTY DAYS OF special event licenses during the same calendar year. All applications for a special event license issued pursuant to this subsection must be submitted to the department at least ten days before the scheduled event. THE DIRECTOR MAY WAIVE THE TEN-DAY REQUIREMENT FOR GOOD CAUSE SHOWN.

E. The director may only issue the special event license to a political party or campaign committee supporting a candidate for public office or a ballot measure, an organization formed for a specific charitable or civic purpose, a fraternal organization in existence for over five years with a regular membership or a religious organization, OR A NONPROFIT ENTITY THAT IS ORGANIZED AS A NON-PROFIT CORPORATION, LIMITED LIABILITY COMPANY, TRUST OR OTHER ENTITY IN THIS STATE OR PURSUANT TO THE LAWS OF ANOTHER STATE THAT IS ELIGIBLE FOR DESIGNATION AS A NONPROFIT ENTITY UNDER SECTION 501 (c) OF THE INTERNAL REVENUE CODE OF THE UNITED STATES. THE NONPROFIT ENTITY SHALL DEMONSTRATE THAT IT IS IN GOOD STANDING IN THIS STATE. AN APPLICANT FOR A SPECIAL EVENT LICENSE MAY AGREE WITH A SPECIAL EVENT CONTRACTOR TO ASSIST THE APPLICANT IN SELLING AND SERVING SPIRITUOUS LIQUOR AT THE SPECIAL EVENT. THE SPECIAL EVENT CONTRACTOR SHALL BE LISTED ON THE APPLICATION FORM. THE DIRECTOR SHALL REQUIRE A SPECIAL EVENT CONTRACTOR TO PROVIDE CONTROLLING PERSONS' IDENTIFICATION AND BACKGROUND INFORMATION DEEMED NECESSARY TO IDENTIFY THE SPECIAL EVENT CONTRACTOR AND TO DEMONSTRATE PROOF OF THE CONTRACTOR'S AUTHORITY TO CONDUCT BUSINESS IN THIS STATE, INCLUDING PROVIDING COPIES OF ANY REQUIRED STATE OR LOCAL BUSINESS LICENSES OR PERMITS. THE DEPARTMENT SHALL MAINTAIN A LIST OF SPECIAL EVENT CONTRACTORS THAT HAVE BEEN EMPLOYED BY SPECIAL EVENT LICENSEES DURING THE PAST YEAR AND THAT ARE NOT OTHERWISE IN PENALTY STATUS PURSUANT TO SUBSECTION H. A LICENSEE HOLDING A CURRENTLY ACTIVE SERIES 6, 7, 11 OR 12 LICENSE MAY SERVE AS THE SPECIAL EVENT CONTRACTOR FOR A SPECIAL EVENT LICENSE WITHOUT ANY ADDITIONAL REQUIREMENTS. A NEW APPLICANT FOR AN INITIAL SPECIAL EVENT LICENSE MAY BE REQUIRED BY THE DEPARTMENT TO DEMONSTRATE IT IS QUALIFIED, CAPABLE AND RELIABLE TO CONDUCT A SPECIAL EVENT. THE DEPARTMENT MAY REQUIRE NEW SPECIAL EVENT CONTRACTORS AND NEW SPECIAL EVENT LICENSEES TO REQUIRE PERSONS WHO SERVE OR SELL SPIRITUOUS LIQUOR TO PATRONS AT THE SPECIAL EVENT TO COMPLETE AN APPROVED TRAINING COURSE IN ACCORDANCE WITH SECTION 4-112, SUBSECTION G, PARAGRAPH 2. A SPECIAL EVENT CONTRACTOR SHALL BE SUBJECT TO THE PROVISIONS OF SECTION 4-112, SUBSECTION G, PARAGRAPH 1.
F. The director may issue a special event license concurrently with a wine festival license and a craft distillery festival license and may approve the location of the wine festival license within an excluded area of a special event license specifically described in each license. Notwithstanding section 4-244, paragraphs 13 and 19, both licenses shall permit the presence of purchased spirituous liquor in the possession of the purchaser.

G. An organization selling spirituous liquor under a special event license shall purchase the spirituous liquor FOR THE PURPOSES OF THIS SECTION, A SPECIAL EVENT LICENSEE OR AN EMPLOYEE OF A SPECIAL EVENT LICENSEE AND A SPECIAL EVENT CONTRACTOR OR AN EMPLOYEE OF A SPECIAL EVENT CONTRACTOR THAT HAS BEEN RETAINED FOR AN APPROVED SPECIAL EVENT, MAY ORDER OR PURCHASE SPIRITUOUS LIQUOR from the holder of a license authorized to sell off-sale or a licensed wholesaler. In the case of a nonprofit organization that has obtained a special event license for the purpose of charitable fund-raising activities, the nonprofit organization or special event contractor may receive the spirituous liquor from a wholesaler, farm winery, microbrewery or producer as a donation, except that a licensee licensed pursuant to subsection A, paragraph 2 of this section may receive spirituous liquor from a donor when the donor receives no remuneration or payment of any kind, directly or indirectly, other than any tax benefits that might result. SPIRITUOUS LIQUOR MAY ONLY BE DISPENSED AND SERVED AT THE SPECIAL EVENT BY THE FOLLOWING PERSONS:

1. THE SPECIAL EVENT LICENSEE OR AN EMPLOYEE OF THE SPECIAL EVENT LICENSEE, UNLESS THE SPECIAL EVENT IS AT THE PREMISES OF A LICENSED RETAILER AND THE LICENSED RETAILER HAS AGREED TO DISPENSE AND SERVE THE SPIRITUOUS LIQUOR.

2. THE SPECIAL EVENT CONTRACTOR OR AN EMPLOYEE OF THE SPECIAL EVENT CONTRACTOR, UNLESS THE SPECIAL EVENT IS AT THE PREMISES OF A LICENSED RETAILER AND THE LICENSED RETAILER HAS AGREED TO DISPENSE AND SERVE THE SPIRITUOUS LIQUOR.

3. THE PRODUCER OR PRODUCERS WHO FURNISHED THE SPIRITUOUS LIQUOR.

4. THE WHOLESALER OR WHOLESALERS WHO FURNISHED THE SPIRITUOUS LIQUOR.

H. IN ADDITION TO ALL OTHER ACTIONS THAT MAY BE TAKEN BY THE DIRECTOR FOR VIOLATION OF THIS TITLE OR THE REGULATIONS ISSUED PURSUANT TO THIS TITLE BY THE SPECIAL EVENT LICENSEE OR SPECIAL EVENT CONTRACTOR, THE DEPARTMENT MAY LIMIT THE RIGHT OF THE LICENSEE TO OBTAIN A SPECIAL EVENT LICENSE FOR A PERIOD OF UP TO ONE YEAR OR MAY LIMIT THE RIGHT OF THE SPECIAL EVENT CONTRACTOR TO SUPPORT ANY LICENSED SPECIAL EVENT FOR A PERIOD UP TO ONE YEAR. ANY PENALTY ISSUED PURSUANT TO THIS SUBSECTION MAY BE APPEALED TO THE DEPARTMENT PURSUANT TO SECTION 4-210.02 AS IF THE ORDER WAS A SANCTION AGAINST A LICENSEE. An organization that is issued a license pursuant to subsection A, paragraph 2 of this section shall receive at least seventy-five percent of the gross receipts of
the auction. Up to twenty-five percent of the gross receipts of a special event auction conducted pursuant to subsection A, paragraph 2 of this section may be used to pay reasonable and necessary expenses incurred in connection with the auction. All expenses shall be supported by written contracts, invoices or receipts, which shall be made available to the director on request.

I. The director may adopt those rules the director determines are necessary to implement and administer this section including a limitation on the number of times during a calendar year a qualified organization may apply for and be issued a license under this section. The qualified organization issued a license pursuant to subsection A, paragraph 1 of this section must receive at least twenty-five percent of the gross revenues of all spirituous liquor sold at the special events, which shall be supported by a contract between the parties to be supplied at the time of application.

J. At an event conducted pursuant to subsection A, paragraph 1 or 2 of this section, the licensee may conduct a wine pull or distilled spirits pull of up to fifty bottles of wine or distilled spirits. For the purposes of this subsection a "wine pull" or "distilled spirits pull" means an activity where, for a set price, one or more attendees at a special event pay for the opportunity to select at the event one or more bottles of wine or distilled spirits where the variety and vintage are undisclosed. An organization that is issued a license pursuant to subsection A, paragraph 2 of this section shall not sell more than twenty cases of spirituous liquor annually under a special event license.

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

L. A licensed producer or wholesaler may donate spirituous liquor directly to an organization that is issued a license pursuant to subsection A of this section. The licensed producer or wholesaler shall in such instances issue a net zero cost billing invoice in the name of the special event licensee. All licensees making or receiving spirituous liquor donations remain subject to the applicable limitations and requirements set forth in this title and in the rules adopted by the department.

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

N. The holder of a license authorized to sell off-sale or a licensed wholesaler may leave purchased spirituous liquor products at a special event if the products are properly described on a preliminary billing invoice from the wholesaler that is issued in the name of the special event licensee. The holder of a license authorized to sell...
OFF-SALE OR THE licensed wholesaler has up to five business days after the special event ends to make any necessary billing adjustments and issue a final billing invoice to the special event licensee. WITHIN ONE BUSINESS DAY AFTER THE CONCLUSION OF THE SPECIAL EVENT, THE SPECIAL EVENT LICENSEE OR A SPECIAL EVENT CONTRACTOR SHALL RETURN UNBROKEN PACKAGES OF SPIRITUOUS LIQUOR TO THE APPROPRIATE OFF-SALE LICENSEE OR WHOLESALER SUBJECT TO THE APPLICABLE RULES OF THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU AND THE POLICY OF THE APPLICABLE OFF-SALE LICENSEE OR WHOLESALER.

O. THE DIRECTOR MAY ADOPT RULES DEEMED NECESSARY TO IMPLEMENT AND ADMINISTER THIS SECTION FOR SPECIAL EVENT CONTRACTORS.

Sec. 6. Section 4-205, Arizona Revised Statutes, is amended to read:

4-205. Issuance of club license; regulatory provisions; revocation

A. The director may issue one club license to any club as defined in section 4-101.

B. The holder of a club license is authorized to sell and serve alcoholic beverages for consumption only within the licensed establishment owned, leased or occupied by the club, and only to bona fide members of the club, and to serve and sell to members' bona fide guests. Attendance at private clubs is limited to enrolled members of the club and their spouses, families and bona fide guests. Admitted nonmember guests shall not exceed more than fifty percent of attendance during any month. This provision shall not limit the ability of a member or the club to host wedding receptions, group meetings, civic meetings, scheduled social functions, including bingo games, and other member or club hosted functions where individuals are not admitted on the basis of being a guest of a member of the club and attendance at the event shall not be considered in computing the fifty percent requirement. EVENTS THAT ARE HOSTED BY THE CLUB OR OTHER MEMBERS WHERE INDIVIDUALS ARE NOT ADMITTED ON THE BASIS OF BEING A GUEST OF A MEMBER OF THE CLUB SHALL BE LIMITED TO NOT MORE THAN TWELVE EVENTS IN A CALENDAR YEAR FOR EACH CLUB.

C. No member and no officer, agent or employee of a club licensee shall be paid or shall directly or indirectly receive, in the form of salary or other compensation, any of the profits from the revenue producing activities of the club or from the distribution or sale of alcoholic beverages to the members of the club or to its guests, beyond the amount of the salary as fixed and voted on at a regular meeting by the members of the club licensee or by its governing body out of the general revenue of the licensee, nor shall such salaries or compensation be in excess of reasonable compensation for the services actually performed.

D. The director may revoke a club license issued pursuant to this section in any case in which the licensee ceases to operate as a bona fide club as defined in section 4-101.
E. No club may hold a spirituous liquor license other than one issued pursuant to this section, except that any club which on January 1, 1975 holds a spirituous liquor license other than one issued pursuant to this section may use such license until such time as the license is revoked or reverted.

Sec. 7. Section 4-205.02, Arizona Revised Statutes, is amended to read:

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

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

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

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

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

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

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

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

H. A restaurant applicant or licensee may apply for a permit allowing for the sale of beer for consumption off the licensed premises pursuant to section 4-244, paragraph 32, subdivision (c) on a form prescribed and furnished by the director. The department shall not issue a permit to a restaurant applicant or licensee that does not meet the requirements in section 4-207, subsection A. The provisions of section 4-207, subsection B do not apply to this subsection. The permit shall be issued only after the director has determined that the public convenience requires and that the best interest of the community will be substantially served by the issuance of the permit, considering the same criteria adopted by the director for issuing a restaurant license described in section 4-209, subsection B, paragraph 12. The amount of beer sold under the permit shall not exceed ten percent of gross revenue of spirituous liquor sold by the establishment. After the permit has been issued, the permit shall be noted on the license itself and in the records of the department. The director may charge a fee for processing the application for the permit and a renewal fee.

I. For the purposes of this section:

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

2. "Restaurant" means an establishment that derives at least forty percent of its gross revenue from the sale of food, including sales of food for consumption off the licensed premises if the amount of these sales included in the calculation of gross revenue from the sale of food does not exceed fifteen percent of all gross revenue of the restaurant.
Sec. 8. Section 4-205.10, Arizona Revised Statutes, is amended 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 and may not also hold a producer's license. The licensee and all commonly controlled craft distillery DISTILLER licensees may not manufacture or produce more than twenty thousand gallons of distilled spirits in a calendar year. For the purposes of this section, “annual gallonage” shall be the total proof gallons of finished distilled product available for wholesale or retail sale as defined by 26 United States Code section 5002 and rules adopted pursuant to this section or its successor.

B. Persons holding a craft distiller license shall report annually at the end of each calendar year, at such time and in such manner as the director may prescribe, the amount of distilled spirits that is produced or manufactured by that licensee during the calendar 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, upon qualification, receive a producer's license only on the surrender of the craft distiller license and shall have no continuing rights as a craft distillery DISTILLER licensee under this section.

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 twenty thousand gallons of distilled spirits and may make sales and deliveries of distilled spirits only as specified in this section and subject to the following criteria:

1. A licensed craft distiller may make sales and deliveries of distilled spirits to wholesalers that are licensed to sell distilled spirits under this title.

2. A licensed craft distiller may serve distilled spirits that are produced or manufactured on the premises for the purpose of consumption on the premises and may charge for samples on the premises of the craft distiller.

3. A licensed craft distiller may sell distilled spirits that are produced or manufactured on the premises in the original container for consumption off the premises to a consumer who is physically present on the premises.

4. The licensed craft distiller may hold one license prescribed in section 4-209, subsection B, paragraph 6 or 12 on or adjacent to the
licensed craft distiller premises. The licensed craft distiller shall purchase all other spirituous liquor for sale at the on-sale retail premises from wholesalers that are licensed in this state, except that a licensed craft distiller may:

(a) Purchase distilled spirits from other craft distillers that are licensed in this state. Sales of craft distillery products not produced or manufactured by the craft distiller shall be limited to no more than twenty percent of the total sales by volume.

(b) Make deliveries of the distilled spirits that the craft distiller manufactures or produces to any commonly controlled retail licensed premises that are located on or adjacent to the craft distiller's remote tasting rooms and that are authorized pursuant to paragraph 4 of this subsection. The amount of these deliveries must be included in the limitation provided under paragraph 5 of this subsection.

5. A licensed craft distiller that produces not more than one thousand one hundred eighty-nine gallons of distilled spirits in a calendar year may make sales and deliveries of distilled spirits that the licensed craft distiller produces to on-sale and off-sale retailers.

6. Notwithstanding section 4-244, paragraphs 3 and 7, an on-sale or off-sale retailer may purchase and accept delivery of distilled spirits from a licensed craft distiller pursuant to paragraph 5 of this subsection.

7. A licensed craft distiller may make sales and deliveries of distilled spirits that the licensed craft distiller manufactures or produces to consumers off of the licensed premises if the sale or delivery is ordered by telephone, mail, fax, catalogue, the internet or by other means if all of the following conditions exist:

(a) The purchaser of the distilled spirits provided the licensed craft distiller with verification of the purchaser's legal age to purchase alcohol and a copy of same is maintained in the records of the craft distiller.

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

(c) The distilled spirits are for personal use only and not for 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. On application by a craft distillery license, the director may authorize a craft distillery licensee to operate one other remote tasting and retail premises if:

1. The distilled spirits sold at the premises are limited to distilled spirits produced or manufactured by the licensed craft distillery and distilled spirits produced or manufactured by another licensed craft distillery. The craft distillery may sell to a consumer physically present on the premises distilled spirits produced by the craft distillery or by other licensed craft distilleries in the original container for consumption on or off the premises. The sales of the distilled spirits produced or manufactured by other craft distilleries shall not exceed twenty percent of the craft distillery's total sales by volume.

2. The craft distillery licensee:
   (a) Remains responsible for the premises.
   (b) Obtains approval for the premises 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 premises must be filed with the department as part of the application.
   (c) Does not sublease the premises.
   (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.
   (f) For a tasting room with a shared patio, meets the requirements prescribed in section 4-205.12.

E. 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.

F. 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.

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

I. The director may charge a fee adopted pursuant to section 4-209 for the issuance of a license pursuant to this section.

J. The director may issue a craft distillery DISTILLER license to be located on the same parcel of land as a farm winery licensed pursuant to section 4-205.04.

Sec. 9. Section 4-205.11, Arizona Revised Statutes, is amended to read:

4-205.11. Craft distillery festival license; craft distillery fair license; craft distillery fee

A. The director, subject to the approval of the board of supervisors for events to be held in an unincorporated area or the governing body of a city or town for events to be held in a city or town, may issue up to twenty-five craft distillery festival licenses for each calendar year for each licensed craft distillery, for up to a total of seventy-five calendar days per craft distillery, authorizing sampling of craft distillery products on the craft distillery festival premises, the sale of the products for consumption on the craft distillery festival premises and the sale of the products in original containers for consumption off the craft distillery festival premises. The director may establish a per day fee for each event for a craft distillery festival license.

A. THE DIRECTOR MAY ISSUE ON A TEMPORARY BASIS A CRAFT DISTILLERY FESTIVAL LICENSE THAT AUTHORIZES:

1. THE SAMPLING OF THE CRAFT DISTILLERY PRODUCTS ON THE CRAFT DISTILLERY FESTIVAL PREMISES.

2. THE SALE OF PRODUCTS FOR CONSUMPTION ON THE CRAFT DISTILLERY FESTIVAL PREMISES.

3. THE SALE OF PRODUCTS IN THE ORIGINAL CONTAINER FOR CONSUMPTION OFF THE CRAFT DISTILLERY FESTIVAL PREMISES.

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

C. THE APPROVAL PROCESS PRESCRIBED IN THIS SECTION DOES NOT APPLY TO PHYSICAL LOCATIONS THAT ARE FULLY LOCATED WITHIN A PREMISES THAT IS LICENSED PURSUANT TO THIS TITLE.

D. THE DIRECTOR MAY ISSUE ONE OR MORE CRAFT DISTILLERY FESTIVAL LICENSES FOR EACH CRAFT DISTILLERY LICENSED PURSUANT TO THIS TITLE, FOR A TOTAL OF UP TO ONE HUNDRED FIFTY CALENDAR DAYS PER CRAFT DISTILLERY. THE
DIRECTOR MAY ESTABLISH A FEE FOR EACH DAY OF EACH EVENT FOR A CRAFT
DISTILLERY FESTIVAL LICENSE.

E. Any craft distillery may apply for a craft distillery
festival license pursuant to this section.

F. With the permission of the state or county fair organizers,
any craft distillery is authorized to allow sampling of craft distillery
products on the fair premises, the sale of the products for consumption on
the fair premises and the sale of the products in original containers for
consumption off of the fair premises at any sanctioned county or state
fair. The director may establish a per day fee for each event for a craft
distillery fair license.

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

Sec. 10. Title 4, chapter 2, article 1, Arizona Revised Statutes,
is amended by adding section 4-205.12, to read:

4-205.12. Tasting rooms with shared patios

A. THE DIRECTOR MAY ISSUE A REMOTE TASTING ROOM LICENSE TO A CRAFT
DISTILLER OR A DOMESTIC FARM WINERY FOR A TASTING ROOM THAT IS LOCATED ON
THE SAME PROPERTY AS ANOTHER REMOTE TASTING ROOM LICENSE, SUBJECT TO THE
FOLLOWING CONDITIONS:

1. EACH REMOTE TASTING ROOM LICENSE SHALL BE HELD BY A DIFFERENT
PERSON.
2. EACH LICENSE SHALL BE LOCATED IN SEPARATE PREMISES THAT ARE
LICENSED SEPARATELY.
3. REMOTE TASTING ROOM LICENSEES MAY SHARE A COMMON INDOOR AREA AND
COMMON OUTDOOR PATIO FOR TASTING AND FOR CONSUMPTION OF THEIR PRODUCTS.
4. THE REMOTE TASTING ROOM LICENSEES SHALL EACH COMPLY FULLY WITH
ALL APPLICABLE REQUIREMENTS PRESCRIBED IN SECTIONS 4-205.04 AND 4-205.10.
5. REMOTE TASTING ROOM LICENSES WITH A COMBINED PREMISES UNDER THIS
SECTION CANNOT BE STACKED WITH ANY OTHER LICENSE ISSUED PURSUANT TO THIS
TITLE.

B. ALL REMOTE TASTING ROOM LICENSEES THAT SHARE A COMMON INDOOR
AREA AND OUTDOOR PATIO AS PROVIDED IN SUBSECTION A, PARAGRAPH 3 OF THIS
SECTION MAY EACH BE HELD LIABLE FOR ANY VIOLATION OF THIS TITLE.

Sec. 11. Section 4-206.01, Arizona Revised Statutes, is amended to
read:

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 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 of a county is deemed to be the population estimated by the office of economic opportunity as of July 1 of each year.

C. IN EACH COUNTY, THE DIRECTOR, EACH YEAR, SHALL ISSUE ADDITIONAL BEER AND WINE BAR LICENSES AT THE RATE OF ONE FOR EACH ADDITIONAL FIVE THOUSAND PERSON INCREASE OVER THE POPULATION IN THAT COUNTY UNTIL JANUARY 1, 2022. BEGINNING JANUARY 1, 2022, IN EACH COUNTY, THE DIRECTOR, EACH YEAR, SHALL ISSUE ADDITIONAL BEER AND WINE BAR LICENSES AT THE RATE OF ONE FOR EACH ADDITIONAL TEN THOUSAND PERSON INCREASE OVER THE POPULATION IN THAT COUNTY. ANY LICENSES THAT HAVE BEEN REVOKED OR REVERTED IN ANY COUNTY MAY BE REISSUED BY THE DIRECTOR IN THE COUNTY WHERE THE LICENSES WERE ORIGINALLY ISSUED. THE DIRECTOR MAY WAIVE THE ISSUANCE OF ANY SERIES OF NEW, REVOKED OR REVERTED LICENSES IN A COUNTY FOR ONE YEAR IF 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 OF A COUNTY IS DEEMED TO BE THE POPULATION ESTIMATED AS OF JULY 1 OF EACH YEAR BY THE OFFICE OF ECONOMIC OPPORTUNITY.

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

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

F. If more than one person applies for an available license, a priority of applicants shall be determined by a random selection method prescribed by the director, EXCEPT THAT THE NUMBER OF TIMES THAT A PERSON MAY ENTER THE RANDOM SELECTION PROCESS SHALL NOT EXCEED THE NUMBER OF LICENSES OF THAT SERIES THAT ARE AVAILABLE FOR ISSUANCE. FOR THE PURPOSES OF THIS SECTION, A PARTNERSHIP, LIMITED LIABILITY COMPANY, ASSOCIATION, COMPANY OR CORPORATION SHALL BE CONSIDERED THE SAME PERSON IF OWNED, MANAGED, OPERATED OR CONTROLLED BY THE SAME CONTROLLING PERSON, AS DEFINED IN SECTION 4-101.

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

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

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

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

K. An applicant for a liquor store license or a beer and wine store license and the licensee of a liquor store license or a beer and wine store license may apply for sampling privileges associated with the license. Beer and wine store premises containing less than five thousand
square feet must dedicate at least seventy-five percent of retail shelf
space to the sale of spirituous liquor in order to be eligible for
sampling privileges. A person desiring a sampling privilege associated
with a liquor store license shall apply to the director on a form
prescribed and furnished by the director. The application for sampling
privileges may be filed for an existing license or may be submitted with
an initial license application. The request for sampling approval, the
review of the application and the issuance of approval shall be conducted
under the same procedures for the issuance of a spirituous liquor license
prescribed in section 4-201. After a sampling privilege has been issued
for a liquor store license or a beer and wine store license, the sampling
privilege shall be noted on the license itself and in the records of the
department. The sampling rights associated with a license are not
transferable. The director may charge a fee for processing each
application for sampling privileges and a renewal fee as provided in this
section. A city or town shall not charge any fee relating to the issuance
or renewal of a sampling privilege. Notwithstanding section 4-244,
paragraph 19, a liquor store licensee or a beer and wine store licensee
that holds a license with sampling privileges may provide spirituous
liquor sampling subject to the following requirements:

1. Any open product shall be kept locked by the licensee when the
sampling area is not staffed.
2. The licensee is otherwise subject to all other provisions of
this title. The licensee is liable for any violation of this title
committed in connection with the sampling.
3. The licensed retailer shall make sales of sampled products from
the licensed retail premises.
4. The licensee shall not charge any customer for the sampling of
any products.
5. The sampling shall be conducted under the supervision of an
employee of a sponsoring distiller, vintner, brewer, wholesaler or retail
licensee.
6. Accurate records of sampling products dispensed shall be
retained by the licensee.
7. Sampling shall be limited to three ounces of beer or cooler-type
products, one and one-half ounces of wine and one ounce of distilled
spirits per person, per brand, per day.
8. The sampling shall be conducted only on the licensed premises.

K. L. If a beer and wine bar license and a beer and wine store
license are issued at the same premises, for the purposes of reporting
liquor purchases under each license, all spirituous beverages purchased
for sampling are conclusively presumed to be purchased under the beer and
wine bar license and all spirituous liquor sold off-sale are conclusively
presumed to be purchased under the beer and wine store license.
4-209. Fees for license, application, issuance, renewal and transfer; late renewal penalty; seasonal operation; surcharges

A. A fee shall accompany an application for an original license or transfer of a license, or in case of renewal, shall be paid in advance.

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

B. Issuance fees for original licenses shall be:

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

2. Except as provided in paragraph 15 of this subsection, for an out-of-state producer's, exporter's, importer's or rectifier's license, two hundred dollars.
3. For a microbrewery license, three hundred dollars.
4. For a wholesaler's license, to sell spirituous liquors, one thousand five hundred dollars.
5. For a government license issued in the name of a state agency, state commission, state board, county, city, town, community college or state university or the national guard, one hundred dollars.
6. For a bar license, which is an on-sale retailer's license to sell all spirituous liquors primarily by individual portions and in the original containers, one thousand five hundred dollars.
7. For a beer and wine bar license, which is an on-sale retailer's license to sell beer and wine primarily by individual portions and in the original containers, one thousand five hundred dollars.
8. For a conveyance license issued to an operating railroad company, to sell all spirituous liquors in individual portions or in the original containers on all passenger trains operated by the railroad company, or to an operating airline company, to sell or serve spirituous liquors solely in individual portions on all passenger planes operated by the airline company, or to a boat operating in the waters of this state, to sell all spirituous liquors in individual portions or in the original containers for consumption on the boat, one thousand five hundred dollars.
9. For a liquor store license, which is an off-sale retailer's license to sell all spirituous liquors, one thousand five hundred dollars.
10. For a beer and wine store license, which is an off-sale retailer's license to sell beer and wine, one thousand five hundred dollars.
11. For a hotel-motel license issued as such, to sell and serve spirituous liquors solely for consumption on the licensed premises of the hotel or motel, one thousand five hundred dollars.
12. For a restaurant license issued as such, to sell and serve spirituous liquors solely for consumption on the licensed premises of the restaurant, one thousand five hundred dollars. For a permit issued under section 4-205.02, subsection H allowing for the sale of beer for the consumption off the licensed premises pursuant to section 4-244, paragraph 32, subdivision (c), the director may charge a fee.
13. For a farm winery license, one hundred dollars. The director may charge a licensed farm winery a fee pursuant to section 4-205.04, subsection L.
14. For a club license issued in the name of a bona fide club qualified under this title to sell all spirituous liquors on-sale, one thousand dollars.
15. For an out-of-state winery that sells not more than two hundred forty gallons of wine in this state in a calendar year, twenty-five dollars.
16. The department may charge a fee for a craft distiller license.
C. The department may issue licenses with staggered renewal dates
to distribute the renewal workload as uniformly as practicable throughout
the twelve months of the calendar year. If a license is issued less than
six months before the scheduled renewal date of the license, as provided
by the department's staggered license renewal system, one-half of the
annual license fee shall be charged.

D. The annual fees for licenses shall be:
   1. For an in-state producer's license, to manufacture or produce
      spirituous liquors in this state, three hundred fifty dollars.
   2. Except as provided in paragraph 15 of this subsection, for an
      out-of-state producer's, exporter's, importer's or rectifier's license,
      fifty dollars.
   3. For a microbrewery license, three hundred dollars.
   4. For a wholesaler's license, to sell spirituous liquors, two
      hundred fifty dollars.
   5. For a government license issued to a county, city or town,
      community college or state university or the national guard, one hundred
      dollars.
   6. For a bar license, which is an on-sale retailer's license to
      sell all spirituous liquors primarily by individual portions and in the
      original containers, one hundred fifty dollars.
   7. For a beer and wine bar license, which is an on-sale retailer's
      license to sell beer and wine primarily by individual portions and in the
      original containers, seventy-five dollars.
   8. For a conveyance license issued to an operating railroad
      company, to sell all spirituous liquors in individual portions or in the
      original containers on all passenger trains operated by the railroad
      company, or to an operating airline company, to sell or serve spirituous
      liquors solely in individual portions on all passenger planes operated by
      the airline company, or to a boat operating in the waters of this state,
      to sell all spirituous liquor in individual portions or in the original
      containers for consumption on the boat, two hundred twenty-five dollars.
   9. For a liquor store license, which is an off-sale retailer's
      license to sell all spirituous liquors, fifty dollars.
   10. For a beer and wine store license, which is an off-sale
       retailer's license to sell beer and wine, fifty dollars.
   11. For a hotel-motel license issued as such, to sell and serve
       spirituous liquors solely for consumption on the licensed premises of the
       hotel or motel, five hundred dollars.
   12. For a restaurant license issued as such, to sell and serve
       spirituous liquors solely for consumption on the licensed premises of the
       restaurant, five hundred dollars, and for a restaurant license that is
       permitted to continue operating as a restaurant pursuant to section 4-213,
       subsection E, an additional amount established by the director. The
department shall transfer this amount to the state treasurer for deposit in the state general fund.

13. For a farm winery license, one hundred dollars. The director may charge a licensed farm winery an annual fee pursuant to section 4-205.04, subsection L.

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

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

16. The director may charge a fee for the annual renewal of a craft distiller license.

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

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

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

H. Assignment fees for a change of agent, as provided for in section 4-202, subsection A, AN ACQUISITION OF CONTROL, AS PROVIDED FOR IN SECTION 4-203, SUBSECTION F, OR A RESTRUCTURING, AS PROVIDED FOR IN SECTION 4-203, SUBSECTION H, shall be one hundred dollars, except that where a licensee holds multiple licenses AND REQUESTS MULTIPLE, SIMULTANEOUS CHANGES, the assignment CHANGE OF AGENT, ACQUISITION OF CONTROL OR RESTRUCTURING fee for the first license shall be one hundred dollars and the assignment fee for all remaining licenses transferred to the same or a new agent, or with the same acquiring party or parties, shall be fifty dollars each, except that the aggregate assignment fees shall in no event NOT exceed one thousand dollars FOR ALL CHANGE OF AGENTS, ONE THOUSAND DOLLARS FOR ALL ACQUISITIONS OF CONTROL AND ONE THOUSAND DOLLARS FOR ALL RESTRUCTURINGS.

I. No fee shall be charged by the department for an assignment of a liquor license in probate or an assignment pursuant to the provisions of a will or pursuant to a judicial decree in a domestic relations proceeding that assigns ownership of a business that includes a spirituous liquor license to one of the parties in the proceeding. In the case of nontransferable licenses no fee shall be charged by the department for the issuance of a license for a licensed business pursuant to a transfer of the business in probate or pursuant to the provisions of a will or pursuant to a judicial decree in a domestic relations proceeding that assigns ownership of the business to one of the parties in the proceeding.
J. The director shall assess a surcharge of thirty dollars on all licenses prescribed in subsection D, paragraphs 6, 7 and 12 of this section. Monies from the surcharge shall be used by the department exclusively for the costs of an auditor and support staff to review compliance by applicants and licensees with the requirements of section 4-205.02, subsection E. The department shall assess the surcharge as part of the annual license renewal fee.

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

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

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

Sec. 13. Section 4-213, Arizona Revised Statutes, is amended to read:

4-213. Restaurant audit
A. The director may require a restaurant to submit an audit of its records to demonstrate compliance with section 4-205.02. The director shall not require an establishment to submit to such an audit more than once a year after the initial twelve months of operation AND SHALL NOT AUDIT THE FIRST THREE MONTHS OF OPERATION even if the establishment is allowed to continue operating as a restaurant pursuant to subsection E of this section.

B. Except as provided in subsection D of this section, the department shall audit accounts, records and operations of a licensee that cover a twelve month period. When conducting an audit, the department
shall use generally accepted auditing standards. An establishment that averages at least forty percent of its gross revenue from the sale of food during the twelve month audit period shall be deemed to comply with the gross revenue requirements of section 4-205.02. The twelve month audit period shall fall within the sixteen months immediately preceding the beginning of the audit.

C. If the audit or a consent agreement that may be offered at the discretion of the director and that is signed by the licensee and the director reveals that the licensee did not meet the definition of a restaurant as prescribed in section 4-205.02 and the percentage of food sales determined by the audit or consent agreement was:

1. Less than thirty percent, notwithstanding section 4-209, subsection A, the director shall deem the license to have been surrendered or may revoke the license as provided in section 4-205.02, subsection D.

2. At least thirty percent but less than thirty-seven percent, the department shall allow the licensee a six-month period to continue to operate under the restaurant license, during which the licensee shall either:
   (a) Replace the license with a bar or beer and wine bar license, except that, at the end of that six-month period, the department shall revoke the restaurant license or the licensee shall surrender the restaurant license.
   (b) Obtain permission from the department to continue operating with a restaurant license pursuant to subsection E of this section.

3. At least thirty-seven percent but less than forty percent, the licensee shall be granted a period of one year to continue to operate under the restaurant license, during which the licensee shall attempt to increase the food percentage to at least forty percent. If the licensee does not increase the percentage of food sales to at least forty percent, the department shall allow the licensee a six-month period to continue to operate under the restaurant license, during which the licensee shall either:
   (a) Replace the license with a bar or beer and wine bar license, except that, at the end of the six-month period, the department shall revoke the restaurant license or the licensee shall surrender the restaurant license.
   (b) Obtain permission from the department to continue operating with a restaurant license pursuant to subsection E of this section.

D. The department may conduct an audit of a licensee described in section 4-209, subsection B, paragraph 12 after twelve months following the beginning of operations as a restaurant by the licensee to determine compliance by the licensee with section 4-205.02, except that the department may conduct an audit of a licensee within the first twelve months of operation if the licensee has made a substantial modification in
the restaurant equipment, service or entertainment items or seating capacity during that twelve-month period, in which event the department may conduct the audit for a period of less than twelve months.

E. A restaurant licensee may continue to operate with its restaurant license if its food sales are at least thirty percent and less than forty percent and the department approves the continuation of the restaurant license pursuant to this subsection and subsections C, F, G, H and I of this section. The department shall not approve more than fifteen restaurant licenses pursuant to this subsection and subsections C, F, G, H and I of this section in any fiscal year. The department shall not approve any additional licenses pursuant to this subsection and subsections C, F, G, H and I of this section from consent agreements entered into or audits conducted in any fiscal year after 2012-2013. The department may approve a request submitted by the licensee to continue to operate with its restaurant license only if all of the following apply at the time the licensee files its request with the department:

1. The restaurant has a sufficient number of cooks, food preparation personnel and wait staff to prepare and provide the restaurant services that are necessary for the menu offered by the licensee.

2. The restaurant's equipment is of a sufficient grade and the size of the restaurant's kitchen is appropriate to the menu offered and the kitchen occupies not less than twenty percent of the total floor space of the licensed premises.

3. The menu is of a type consistent with a restaurant operation. In making a determination pursuant to this paragraph, the department may consider the proportion of food sales to alcohol sales, the price of spirituous liquor beverages and food served by the licensee and whether the licensee provides reduced price or complimentary food and beverages.

4. Not more than thirty percent of the public interior area floor space consists of pool tables, dart or arcade games, barstools, cocktail tables and similar types of seating and dance floors, and the aggregate area of all dance floors on the premises is not greater than ten percent of the total floor space of the public area of the premises.

5. The name of the restaurant does not include terms associated with alcohol consumption, such as "bar", "tavern", "pub", "spirits", "club", "lounge", "cabaret", "cantina" or "saloon".

6. Disposable dinnerware and smallware, including dining utensils, are not used except in outdoor areas.

F. If the department intends to approve a restaurant's continuation of operation pursuant to subsection E of this section:

1. The department shall advise the governing body of the city or town if the premises are within the incorporated limits of a city or town or the county of the department's intent.
2. The city or town or the county shall post a notice for at least twenty days on the licensed premises that the licensee has made a request for continuation to operate with a restaurant license and invite bona fide residents who own, lease or reside on property within a one mile radius of the licensed premises to file written comments with the department regarding the request within thirty days of AFTER the first posting of the notice.

G. If the local jurisdiction through its governing body or its authorized agent does not object within ninety days, the licensee may continue its operation as a restaurant.

H. If the department intends to disapprove a restaurant's continuation of operation pursuant to subsection E of this section, or if the local jurisdiction or its agent timely objects to its continuation, the department shall set a hearing before the board and the local jurisdiction shall post a notice of the hearing for a period of at least twenty days on the licensed premises. The city or town or the county may testify at the hearing and bona fide residents who own, lease or reside on property within a one mile radius of the licensed premises may testify before the board regarding the licensee's request. The board shall determine whether the restaurant may continue its operation based on consideration of the criteria listed in subsection E of this section.

I. A restaurant licensee may continue to operate with its restaurant license pursuant to subsection E of this section if the restaurant and the restaurant licensee continue to meet the requirements of this subsection, subsection E of this section and any other statute. As a condition of continuing operation as a restaurant under subsection E of this section, the department may require the licensee to specifically acknowledge the representations made by the licensee regarding its operations in support of the licensee's continuing operation as a restaurant. Notwithstanding subsection A of this section, if the licensee changes its operation in any way that materially and detrimentally affects the representations made by the licensee, the department may audit the licensee or terminate the license without an audit.

J. Notwithstanding section 4-209, subsection D, paragraph 12, the state treasurer shall deposit five per-cent PERCENT of the annual fee for a restaurant that is permitted to continue operating as a restaurant pursuant to subsection E of this section in the driving under the influence abatement fund established by section 28-1304.

Sec. 14. Section 4-243, Arizona Revised Statutes, is amended to read:

4-243. Commercial coercion or bribery unlawful; exceptions

A. It is unlawful for a person engaged in the business of distiller, vintner, brewer, rectifier or blender or any other producer or wholesaler of any spirituous liquor, directly or indirectly, or through an affiliate:
1. To require that a retailer purchase spirituous liquor from the
producer or wholesaler to the exclusion, in whole or in part, of
spirituous liquor sold or offered for sale by other persons.

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) If requesting the on-sale retailer to prepare a drink for the
consumer, the producer's or wholesaler's representative shall pay the
retailer for the sample drink.
(d) The producer or wholesaler may not buy the on-sale retailer or the retailer's employees a drink during their working hours or while they are engaged in waiting on or serving customers.

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

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

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

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

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

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

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

(e) Sampling shall be limited to two wholesalers or producers at any one off-sale retailer's premises on any day and shall not exceed three hours on any day per approved sampling.

(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 percent 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.
(l) 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. NOTWITHSTANDING SUBSECTION A, PARAGRAPHS 4 AND 7 OF THIS SECTION, A WHOLESALER MAY IN THE WHOLESALER'S SOLE DISCRETION ACCEPT THE RETURN OF MALT BEVERAGE PRODUCTS FROM AN ON-SALE RETAILER UNDER ANY OF THE FOLLOWING CONDITIONS:

1. THE RETAILER'S LICENSED PREMISES WILL BE CLOSED FOR BUSINESS FOR THIRTY OR MORE CONSECUTIVE DAYS, AND THE PRODUCTS ARE LIKELY TO SPOIL OR EXPIRE DURING THE BUSINESS CLOSING PERIOD.

2. THE RETAILER'S LICENSED PREMISES IS USED PRIMARILY AS A MUSIC OR LIVE SPORTING VENUE WITH A PERMANENT OCCUPANCY OF MORE THAN ONE THOUSAND PEOPLE, AND THE PRODUCTS ARE LIKELY TO SPOIL OR EXPIRE DURING THE TIME PERIOD BETWEEN VENUE EVENTS.

3. THE RETAILER HOLDS A GOVERNMENTAL ENTITY LICENSE AND CONDUCTS LESS THAN SIX EVENTS PER YEAR AT WHICH PRODUCTS ARE SOLD, AND THE PRODUCTS ARE LIKELY TO SPOIL OR EXPIRE DURING THE TIME PERIOD BETWEEN EVENTS.

F. It is unlawful for a retailer to request 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 OR E 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. 15. 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, rectifier or retailer; violation; cease and desist order; civil penalty

A. An out-of-state person engaged in business IN THIS STATE as a producer, exporter, importer, or rectifier, RETAILER OR WHOLESALER WITHOUT A LICENSE ISSUED UNDER THIS TITLE shall comply with this title as if licensed by this state. AN OUT-OF-STATE PERSON ENGAGED IN BUSINESS IN
THIS STATE AS A PRODUCER, EXPORTER, IMPORTER, RECTIFIER, RETAILER OR WHOLESALER SHALL BE DEEMED TO HAVE CONSENTED TO THE JURISDICTION OF THE DEPARTMENT, ANY OTHER AGENCY OF THIS STATE, THE COURTS OF THIS STATE AND ALL OTHER RELATED LAWS, RULES OR REGULATIONS. An out-of-state person engaged in business IN THIS STATE as a producer, exporter, importer, or rectifier, RETAILER OR WHOLESALER 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.

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

C. The director may impose a civil penalty up to one hundred fifty thousand dollars per violation against an out-of-state person who is engaged in business as a producer, exporter, importer or rectifier and who knowingly violates a cease and desist order issued by the director pursuant to subsection B of this section.

C. IF AN OUT-OF-STATE PERSON WHO IS ENGAGED IN BUSINESS IN THIS STATE AS A PRODUCER, EXPORTER, IMPORTER, RECTIFIER, RETAILER OR WHOLESALER KNOWINGLY VIOLATES A CEASE AND DESIST ORDER ISSUED BY THE DIRECTOR PURSUANT TO SUBSECTION B OF THIS SECTION, THE DIRECTOR MAY:

1. IMPOSE A CIVIL PENALTY OF UP TO ONE HUNDRED FIFTY THOUSAND DOLLARS FOR EACH VIOLATION.
2. NOTIFY THE DEPARTMENT OF REVENUE OF THE VIOLATION FOR THE PURPOSES OF COLLECTION OF ANY TRANSACTION PRIVILEGE TAX OR LUXURY PRIVILEGE TAX DUE.
3. NOTIFY THE APPLICABLE AGENCY OR REGULATORY BODY IN THE STATE IN WHICH THE PERSON IS LICENSED OF THE VIOLATION.
4. GIVE NOTICE OF THE VIOLATION TO THE PRODUCERS, EXPORTERS, IMPORTERS, RECTIFIERS, RETAILERS, WHOLESALERS, COMMON CARRIERS AND CONSUMERS CONNECTED TO THE TRANSACTION IF THE OUT-OF-STATE PERSON HAS SHIPPED LIQUOR INTO THE STATE IN VIOLATION OF THIS TITLE.

APPROVED BY THE GOVERNOR APRIL 18, 2017.