

State of Arizona
House of Representatives
Fifty-third Legislature
First Regular Session
2017

HB 2337

Introduced by
Representatives Weninger: Shope

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 28-1304, ARIZONA REVISED STATUTES; RELATING TO LIQUOR LICENSES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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

4 4-101. Definitions

5 In this title, unless the context otherwise requires:

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

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

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

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

23 5. "Bona fide guest" means:

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

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

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

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

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

1 (b) A chapter, aerie, parlor, lodge or other local unit of an
2 American national fraternal organization that has, as the owner, lessee or
3 occupant, operated an establishment for fraternal purposes in this state.
4 An American national fraternal organization as used in this subdivision
5 shall actively operate in not less than thirty-six states or have been in
6 active continuous existence for not less than twenty years.

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

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

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

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

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

43 9. "Control" means the power to direct or cause the direction of
44 the management and policies of an applicant, ~~OR licensee~~ ~~or controlling~~
45 ~~person~~, whether through the ownership of voting securities or a

1 partnership interest, by agreement or otherwise. Control is presumed to
 2 exist if a person has the direct or indirect ownership of or power to vote
 3 ten percent or more of the outstanding voting securities of the
 4 applicant, ~~OR licensee or controlling person~~ or to control in any manner
 5 the election of one or more of the directors of the applicant, ~~OR~~
 6 licensee ~~or controlling person~~. In the case of a partnership, control is
 7 presumed to mean the general partner or a limited partner who holds ten
 8 percent or more of the voting rights of the partnership. For the purposes
 9 of determining the percentage of voting securities owned, controlled or
 10 held by a person, there shall be aggregated with the voting securities
 11 attributed to the person the voting securities of ~~any other person~~
 12 ~~directly or indirectly controlling, controlled by or under common control~~
 13 ~~with the other person, or by~~ an officer, partner, employee or agent of the
 14 person or ~~by~~ a spouse, parent or child of the person. Control is also
 15 presumed to exist if a creditor of the applicant, ~~OR licensee or~~
 16 ~~controlling person~~ holds a beneficial interest in ten percent or more of
 17 the liabilities of the licensee ~~or controlling person~~. The presumptions
 18 in this paragraph regarding control are rebuttable.

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

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

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

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

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

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

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

44 17. "Government license" means a license to serve and sell
 45 spirituous liquor on specified premises available only to a state agency,

1 state board, state commission, county, city, town, community college or
2 state university or the national guard or Arizona coliseum and exposition
3 center on application by the governing body of a state agency, state
4 board, state commission, county, city, town, community college or state
5 university or the national guard or Arizona exposition and state fair
6 board.

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

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

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

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

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

19 23. "Microbrewery" means a brewery in the United States or in a
20 territory or possession of the United States that meets the requirements
21 of section 4-205.08.

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

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

32 26. "PERMANENT OCCUPANCY" MEANS THE MAXIMUM OCCUPANCY OF THE
33 BUILDING OR FACILITY AS SET BY THE FIRE MARSHAL FOR THE JURISDICTION IN
34 WHICH THE BUILDING OR FACILITY IS LOCATED.

35 ~~26.~~ 27. "Person" includes a partnership, limited liability
36 company, association, company or corporation, as well as a natural person.

37 ~~27.~~ 28. "Premises" or "licensed premises" means the area from
38 which the licensee is authorized to sell, dispense or serve spirituous
39 liquors under the provision of the license. Premises or licensed premises
40 includes a patio that is not contiguous to the remainder of the premises
41 or licensed premises if the patio is separated from the remainder of the
42 premises or licensed premises by a public or private walkway or driveway
43 not to exceed thirty feet, subject to rules the director may adopt to
44 establish criteria for noncontiguous premises.

45 ~~28.~~ 29. "Registered mail" includes certified mail.

1 ~~29.~~ 30. "Registered retail agent" means any person who is
2 authorized pursuant to section 4-222 to purchase spirituous liquors for
3 and on behalf of himself and other retail licensees.

4 ~~30.~~ 31. "Repeated acts of violence" means:

5 (a) For licensed premises with a permanent occupancy of two hundred
6 or fewer persons, two or more acts of violence occurring within seven days
7 or three or more acts of violence occurring within thirty days.

8 (b) For licensed premises with a permanent occupancy of more than
9 two hundred but not more than four hundred persons, four or more acts of
10 violence within thirty days.

11 (c) For licensed premises with a permanent occupancy of more than
12 four hundred but not more than six hundred fifty persons, five or more
13 acts of violence within thirty days.

14 (d) For licensed premises with a permanent occupancy of more than
15 six hundred fifty but not more than one thousand fifty persons, six or
16 more acts of violence within thirty days.

17 (e) For licensed premises with a permanent occupancy of more than
18 one thousand fifty persons, seven or more acts of violence within thirty
19 days.

20 ~~For the purposes of this paragraph, "permanent occupancy" means the~~
21 ~~maximum occupancy of the building or facility as set by the fire marshal~~
22 ~~for the jurisdiction in which the building or facility is located.~~

23 ~~31.~~ 32. "Sell" includes soliciting or receiving an order for,
24 keeping or exposing for sale, directly or indirectly delivering for value,
25 peddling, keeping with intent to sell and trafficking in.

26 ~~32.~~ 33. "Spirituous liquor" includes alcohol, brandy, whiskey,
27 rum, tequila, mescal, gin, wine, porter, ale, beer, any malt liquor or
28 malt beverage, absinthe, a compound or mixture of any of them or of any of
29 them with any vegetable or other substance, alcohol bitters, bitters
30 containing alcohol, any liquid mixture or preparation, whether patented or
31 otherwise, which produces intoxication, fruits preserved in ardent
32 spirits, and beverages containing more than one-half of one percent of
33 alcohol by volume.

34 ~~33.~~ 34. "Vehicle" means any means of transportation by land, water
35 or air, and includes everything made use of in any way for such
36 transportation.

37 ~~34.~~ 35. "Vending machine" means a machine that dispenses
38 merchandise through the means of coin, token, credit card or other
39 nonpersonal means of accepting payment for merchandise received.

40 ~~35.~~ 36. "Veteran" means a person who has served in the United
41 States air force, army, navy, marine corps or coast guard, as an active
42 nurse in the services of the American red cross, in the army and navy
43 nurse corps in time of war, or in any expedition of the armed forces of
44 the United States, and who has received a discharge other than
dishonorable.

1 ~~36-~~ 37. "Voting security" means any security presently entitling
2 the owner or holder of the security to vote for the election of directors
3 of an applicant, licensee or controlling person.

4 ~~37-~~ 38. "Wine" means the product obtained by the fermentation of
5 grapes, other agricultural products containing natural or added sugar or
6 cider or any such alcoholic beverage fortified with grape brandy and
7 containing not more than twenty-four percent of alcohol by volume.

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

10 4-111. State liquor board; department of liquor licenses and
11 control; members; director; appointment and removal

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

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

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

34 D. The chairman may designate panels of not less than three
35 members. A panel may take any action that the board is authorized to take
36 pursuant to this title. Such action includes the ability to hold hearings
37 and hear appeals of administrative disciplinary proceedings of licenses
38 issued pursuant to this chapter. A panel shall not, however, adopt rules
39 as provided in section 4-112, subsection A, paragraph 2. The chairman may
40 from time to time add additional members or remove members from a panel.
41 A majority of a panel may ~~upon~~ ON the concurrence of a majority of the
42 members of the panel take final action on hearings and appeals of
43 administrative disciplinary proceedings concerning licenses issued
44 pursuant to this chapter.

1 E. Members of the board are entitled to receive compensation at the
2 rate of fifty dollars per day while engaged in the business of the board.

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

11 G. The governor shall appoint the director, pursuant to section
12 38-211, who shall be a qualified elector of the state and experienced in
13 administrative matters and enforcement procedures. The director shall
14 serve at the pleasure of the governor.

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

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

19 4-201. Licensing; application procedure in city, town or
20 county; burden of proof

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

24 B. A person desiring a license within an incorporated city or town
25 shall make the application in triplicate and shall file the copies with
26 the director. The director shall remit two copies to the city or town
27 clerk. The city or town clerk shall immediately file one copy in the
28 clerk's office and post the other for a period of twenty days in a
29 conspicuous place on the front of the premises where the business is
30 proposed to be conducted, with a statement requiring any natural person
31 who is a bona fide resident residing or owning or leasing property within
32 a one mile radius from the premises proposed to be licensed, and who is in
33 favor of or opposed to the issuance of the license, to file written
34 arguments in favor of or opposed to the issuance of the license with the
35 clerk within twenty days after the date of posting. The posting shall be
36 limited to a copy of the license application and shall not contain any
37 attachments filed with the application. The written argument shall
38 contain the natural person's complete name, street address or post office
39 box address and written or electronic signature. If the written arguments
40 are filed by a person on behalf of a corporation or other legal entity or
41 association, the written arguments must be accompanied by a copy of the
42 entity's organizing document, a designation of the office or position that
43 the person holds within the organization and a copy of the written
44 appointment of the person to speak on behalf of the organization. If the
45 written arguments are filed by a neighborhood association, block watch or

1 other unincorporated association, written arguments must be accompanied by
2 a letter of authority designating that person as a spokesperson. The
3 posting shall contain substantially the following:

4 Notice

5 A hearing on a liquor license application shall be held before
6 the local governing body at the following date, time and
7 place:

8 (Insert date, time and address)

9 The local governing body will recommend to the state liquor
10 board whether the board should grant or deny the license. The
11 state liquor board may hold a hearing to consider the
12 recommendation of the local governing body. Any person
13 residing or owning or leasing property within a one-mile
14 radius may contact the state liquor board in writing to
15 register as a protestor. To request information regarding
16 procedures before the board and notice of any board hearings
17 regarding this application, contact the state liquor board at:

18 (Insert address and telephone number).

19 No arguments shall be filed or accepted by the city or town clerk
20 thereafter. This subsection shall not be construed to prevent a bona fide
21 resident residing or owning or leasing property within a one-mile radius
22 from the premises proposed to be licensed from testifying in favor of or
23 in opposition to the issuance of the license, regardless of whether or not
24 the person is a user or nonuser of spirituous liquor.

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

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

40 E. On receipt of an application for a spirituous liquor license,
41 the director shall set the application for hearing by the board on a date
42 following the expiration of the time fixed for the submitting of the
43 certified order by the governing body of the city or town or the board of
44 supervisors. If the city or town or the county recommends approval of the
45 license no hearing is required unless the director, the board or any

1 aggrieved party requests a hearing on the grounds that the public
2 convenience and the best interest of the community will not be
3 substantially served if a license is issued. Any natural person residing
4 or owning or leasing property within a one mile radius of the proposed
5 location may file a written protest with the director ~~no~~ NOT later than
6 fifteen calendar days ~~following~~ AFTER action by the local governing body
7 or sixty days after filing the application, **WHICHEVER IS SOONER**. The
8 written argument shall contain the natural person's complete name, street
9 address or post office box address and written or electronic signature.
10 If the written arguments are filed by a person on behalf of a corporation
11 or other legal entity or association, the written arguments must be
12 accompanied by a copy of the entity's organizing document, a designation
13 of the office or position that the person holds within the organization
14 and a copy of the written appointment of the person to speak on behalf of
15 the organization. If the written arguments are filed by a neighborhood
16 association, block watch or other unincorporated association, written
17 arguments must be accompanied by a letter of authority designating that
18 person as a spokesperson. If no hearing is requested by the director, the
19 board or any aggrieved party, the application may be approved by the
20 director. If the recommendation is for disapproval of an application, the
21 board shall hold a hearing. If the city, town or county recommends
22 approval of the license pursuant to subsection C of this section or makes
23 no recommendation, the director may cancel the hearing and issue the
24 license unless the board or any aggrieved party requests a hearing. If
25 the reason for the protest is clearly removed or deemed satisfied by the
26 director, the board shall cancel the hearing. If the board cancels the
27 hearing, the department may administratively issue an order without the
28 applicant licensee or other parties present. The certified order, the
29 reasons contained in the order and the summary of the testimony and other
30 evidence supporting the city, town or county disapproval of the
31 recommendation shall be read into the record before the board and shall be
32 considered as evidence by the board. The board shall consider the
33 certified order together with other facts and a report of the director
34 relating to the qualifications of the applicant. If the governing body of
35 the city or town or the board of supervisors fails to return to the
36 director, as provided in subsections C and D of this section, its order of
37 disapproval, no hearing is required. An application shall be approved or
38 disapproved within one hundred five days after filing of the application.
39 If, after a hearing by the board where a license has been approved, a
40 formal written order is not entered within thirty days after the hearing,
41 the decision of the board shall be deemed entered on the thirtieth day
42 after the hearing.

43 F. A hearing may be conducted by an administrative law judge at the
44 request of the board to make findings and recommendations for use by the
45 board in determining whether to grant or deny a license. The

1 administrative law judge shall submit a report of findings to the board
2 within twenty days ~~of~~ AFTER the hearing. The board may affirm, reverse,
3 adopt, modify, supplement, amend or reject the administrative law judge's
4 report in whole or in part.

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

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

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

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

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

34 4-203. Licenses; issuance; transfer; reversion to state

35 A. A spirituous liquor license shall be issued only after
36 satisfactory showing of the capability, qualifications and reliability of
37 the applicant and, with the exception of wholesaler, producer, government
38 or club licensees, that the public convenience requires and that the best
39 interest of the community will be substantially served by the issuance.
40 If an application is filed for the issuance of a transferable or
41 nontransferable license, other than for a craft distiller license, a
42 microbrewery license or a farm winery license, for a location that on the
43 date the application is filed has a valid license of the same series, or
44 in the case of a restaurant license application filed for a location with
45 a valid hotel-motel license, issued at that location, there shall be a

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

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

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

14 2. The place of business for which issued.

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

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

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

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

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

1 controlling persons on a form prescribed by the director. THERE IS NO
 2 ACQUISITION OF CONTROL IF A NEW PERSON IS ADDED TO THE OWNERSHIP OF A
 3 LICENSEE'S BUSINESS BUT THE CONTROLLING PERSONS REMAIN IDENTICAL TO THE
 4 CONTROLLING PERSONS THAT HAVE BEEN PREVIOUSLY DISCLOSED TO THE DIRECTOR AS
 5 PART OF THE LICENSEE'S EXISTING OWNERSHIP. All officers, directors or
 6 other controlling persons shall meet the qualifications for licensure as
 7 prescribed by this title. On request, the director shall conduct a
 8 preinvestigation before the assignment, sale or transfer of control of a
 9 license or licensee, the reasonable costs of which, not to exceed one
 10 thousand dollars, shall be borne by the applicant. The preinvestigation
 11 shall determine whether the qualifications for licensure as prescribed by
 12 this title are met. On receipt of notice of an acquisition of control or
 13 request of a preinvestigation, the director, ~~shall forward the notice~~
 14 ~~within fifteen days to the local governing body of the city or town, if~~
 15 ~~the licensed premises is in an incorporated area, or the county, if the~~
 16 ~~licensed premises is in an unincorporated area. The local governing body~~
 17 ~~of the city, town or county may protest the acquisition of control within~~
 18 ~~sixty days based on the capability, reliability and qualification of the~~
 19 ~~person acquiring control. If the director does not receive any protests,~~
 20 ~~the director may protest the acquisition of control or approve the~~
 21 ~~acquisition of control based on the capability, reliability and~~
 22 ~~qualification of the person acquiring control. Any protest shall be set~~
 23 ~~for a hearing before the board. Any transfer shall be approved or~~
 24 ~~disapproved within one hundred five days after the filing of the notice of~~
 25 ~~acquisition of control~~ WITHIN FIFTEEN DAYS AFTER RECEIPT, SHALL FORWARD
 26 THE NOTICE OF THE ACQUISITION OF CONTROL TO THE LOCAL GOVERNING BODY OF
 27 THE CITY OR TOWN, IF THE LICENSED PREMISES IS IN AN INCORPORATED AREA, OR
 28 THE COUNTY, IF THE LICENSED PREMISES IS IN AN UNINCORPORATED AREA. THE
 29 LOCAL GOVERNING BODY MAY PROVIDE THE DIRECTOR WITH INPUT, EITHER IN FAVOR
 30 OF OR AGAINST THE ACQUISITION OF CONTROL, WITHIN THIRTY DAYS AFTER THE
 31 DIRECTOR MAILS THE NOTICE, BUT THE LOCAL GOVERNING BODY MAY NOT CHARGE A
 32 FEE AND SECTION 4-201 DOES NOT APPLY TO THE ACQUISITION OF CONTROL
 33 PROVIDED FOR IN THIS SECTION. WITHIN ONE HUNDRED FIVE DAYS AFTER FILING
 34 NOTICE OF THE ACQUISITION OF CONTROL, THE DIRECTOR SHALL DETERMINE WHETHER
 35 THE APPLICANT IS QUALIFIED, CAPABLE AND RELIABLE FOR LICENSURE. The
 36 person who has acquired control of a license or licensee has the burden of
 37 an original application at the hearing, and the board shall make its
 38 determination pursuant to section 4-202 and this section with respect to
 39 capability, reliability and qualification.

40 G. A licensee who holds a license in nonuse status for more than
 41 five months shall be required to pay a one hundred dollar surcharge for
 42 each month thereafter. The surcharge shall be paid at the time the
 43 license is returned to active status. A license automatically reverts to
 44 the state after being held in continuous nonuse in excess of thirty-six
 45 months. The director may waive the surcharge and may extend the time

1 period provided in this subsection for good cause **IF THE LICENSEE FILES A**
2 **WRITTEN REQUEST FOR AN EXTENSION OF TIME TO PLACE THE LICENSE IN ACTIVE**
3 **STATUS BEFORE THE DATE OF THE AUTOMATIC REVERSION.** A license shall not be
4 deemed to have gone into active status if the license is transferred to a
5 location that at the time of or immediately before the transfer had an
6 active license of the same type, unless the licenses are under common
7 ownership or control.

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

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

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

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

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

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

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

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

43 N. Failure to pay any surcharge prescribed by subsection G of this
44 section or failure to report the period of nonuse of a license shall be
45 grounds for revocation of the license or grounds for any other sanction

1 provided by this title. The director may consider extenuating
2 circumstances if control of the license is acquired by another party in
3 determining whether or not to impose any sanctions under this subsection.

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

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

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

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

20 **4-203.02. Special event license; rules**

21 A. The director may issue on a temporary basis:

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

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

29 B. Before the director may issue a temporary special event license,
30 a special event that is to occur at an otherwise unlicensed location or by
31 a licensee at a location that is not fully within the licensee's existing
32 licensed premises must be approved by the board of supervisors of a county
33 if the event is to be held in an unincorporated area or by the governing
34 body of the city or town if the event is to be held in a city or town.

35 C. The approval process prescribed in this section does not apply
36 to physical locations that are fully within premises licensed pursuant to
37 this title.

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

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

6 F. The director may issue a special event license concurrently with
7 a wine festival license and a craft distillery festival license and may
8 approve the location of the wine festival license within an excluded area
9 of a special event license specifically described in each license.
10 Notwithstanding section 4-244, paragraphs 13 and 19, both licenses shall
11 permit the presence of purchased spirituous liquor in the possession of
12 the purchaser.

13 G. An organization selling spirituous liquor under a special event
14 license shall purchase the spirituous liquor from the holder of a license
15 authorized to sell off-sale or a licensed wholesaler. In the case of a
16 nonprofit organization that has obtained a special event license for the
17 purpose of charitable fund-raising activities, the nonprofit organization
18 may receive the spirituous liquor from a wholesaler, farm winery,
19 microbrewery or producer as a donation, except that a licensee licensed
20 pursuant to subsection A, paragraph 2 of this section may receive
21 spirituous liquor from a donor when the donor receives no remuneration or
22 payment of any kind, directly or indirectly, other than any tax benefits
23 that might result.

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

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

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

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

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

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

13 N. A licensed wholesaler may leave spirituous liquor products at a
14 special event if the products are properly described on a preliminary
15 billing invoice from the wholesaler that is issued in the name of the
16 special event licensee. The licensed wholesaler has up to five business
17 days after the special event ends to make any necessary billing
18 adjustments and issue a final billing invoice to the special event
19 licensee.

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

22 4-205. Issuance of club license; regulatory provisions;
23 revocation

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

26 B. The holder of a club license is authorized to sell and serve
27 alcoholic beverages for consumption only within the licensed establishment
28 owned, leased or occupied by the club, and only to bona fide members of
29 the club, and to serve and sell to members' bona fide guests. Attendance
30 at private clubs is limited to enrolled members of the club and their
31 spouses, families and bona fide guests. Admitted nonmember guests shall
32 not exceed more than fifty ~~per cent~~ PERCENT of attendance during any
33 month. This provision shall not limit the ability of a member or the club
34 to host wedding receptions, group meetings, civic meetings, scheduled
35 social functions, including bingo games, and other member or club hosted
36 functions where individuals are not admitted on the basis of being a guest
37 of a member of the club and attendance at the event shall not be
38 considered in computing the fifty ~~per cent~~ PERCENT requirement. **EVENTS**
39 **THAT ARE HOSTED BY THE CLUB OR A MEMBER OF THE CLUB IN WHICH PERSONS ARE**
40 **ADMITTED WHO ARE NOT GUESTS OR MEMBERS OF THE CLUB SHALL BE LIMITED TO NOT**
41 **MORE THAN TWELVE OF THESE EVENTS IN A CALENDAR YEAR FOR EACH CLUB.**

42 C. No member and no officer, agent or employee of a club licensee
43 shall be paid or shall directly or indirectly receive, in the form of
44 salary or other compensation, any of the profits from the revenue
45 producing activities of the club or from the distribution or sale of

1 alcoholic beverages to the members of the club or to its guests, beyond
2 the amount of the salary as fixed and voted on at a regular meeting by the
3 members of the club licensee or by its governing body out of the general
4 revenue of the licensee, nor shall such salaries or compensation be in
5 excess of reasonable compensation for the services actually performed.

6 D. The director may revoke a club license issued pursuant to this
7 section in any case in which the licensee ceases to operate as a bona fide
8 club as defined in section 4-101.

9 E. No club may hold a spirituous liquor license other than one
10 issued pursuant to this section, except that any club ~~which~~ THAT on
11 January 1, 1975 holds a spirituous liquor license other than one issued
12 pursuant to this section may use such license until such time as the
13 license is revoked or reverted.

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

16 4-205.02. Restaurant license; issuance; regulatory
17 provisions; expiration; definitions

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

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

29 C. The holder of a restaurant license may sell and serve spirituous
30 liquors solely for consumption on the licensed premises. For the purpose
31 of this subsection, "licensed premises" may include rooms, areas or
32 locations in which the restaurant normally sells or serves spirituous
33 liquors pursuant to regular operating procedures and practices and that
34 are contiguous to the restaurant or a noncontiguous patio pursuant to
35 section 4-101, paragraph ~~27~~ 28. For the purposes of this subsection, a
36 restaurant licensee must submit proof of tenancy or permission from the
37 landowner or lessor for all property to be included in the licensed
38 premises.

39 D. In addition to other grounds prescribed in this title on which a
40 license may be revoked, the director may require the holder of a
41 restaurant license issued pursuant to this section to surrender the
42 license in any case in which the licensee ceases to operate as a
43 restaurant, as prescribed in subsection A of this section. The surrender
44 of a license pursuant to this subsection does not prevent the director
45 from revoking the license for other grounds prescribed in this title or

1 for making deliberate material misrepresentations to the department
2 regarding the licensee's equipment, service or entertainment items or
3 seating capacity in applying for the restaurant license.

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

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

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

21 H. A restaurant applicant or licensee may apply for a permit
22 allowing for the sale of beer for consumption off the licensed premises
23 pursuant to section 4-244, paragraph 32, subdivision (c) on a form
24 prescribed and furnished by the director. The department shall not issue
25 a permit to a restaurant applicant or licensee that does not meet the
26 requirements in section 4-207, subsection A. The provisions of section
27 4-207, subsection B do not apply to this subsection. The permit shall be
28 issued only after the director has determined that the public convenience
29 requires and that the best interest of the community will be substantially
30 served by the issuance of the permit, considering the same criteria
31 adopted by the director for issuing a restaurant license described in
32 section 4-209, subsection B, paragraph 12. The amount of beer sold under
33 the permit shall not exceed ten percent of gross revenue of spirituous
34 liquor sold by the establishment. After the permit has been issued, the
35 permit shall be noted on the license itself and in the records of the
36 department. The director may charge a fee for processing the application
37 for the permit and a renewal fee.

38 I. For the purposes of this section:

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

44 2. "Restaurant" means an establishment that derives at least forty
45 percent of its gross revenue from the sale of food, including sales of

1 food for consumption off the licensed premises if the amount of these
2 sales included in the calculation of gross revenue from the sale of food
3 does not exceed fifteen percent of all gross revenue of the restaurant.

4 Sec. 8. Section 4-205.10, Arizona Revised Statutes, is amended to
5 read:

6 4-205.10. Craft distiller license; issuance; regulatory
7 provisions; fee

8 A. The director may issue a craft distiller license to any person
9 that meets the requirements of subsection C of this section. Each
10 location that engages in producing and bottling these products must obtain
11 a separate craft distiller license. The licensee may not transfer the
12 craft distiller license from person to person or from location to location
13 and may not also hold a producer's license. The licensee and all commonly
14 controlled craft ~~distillery~~ DISTILLER licensees may not manufacture or
15 produce more than twenty thousand gallons of distilled spirits in a
16 calendar year. For the purposes of this section, ~~annual~~
17 ~~gallage~~ shall be the total proof gallons of finished distilled product
18 available for wholesale or retail sale as defined by 26 United States Code
19 section 5002 and rules adopted pursuant to this section or its successor.

20 B. Persons holding a craft distiller license shall report annually
21 at the end of each calendar year, at such time and in such manner as the
22 director may prescribe, the amount of distilled spirits that is produced
23 or manufactured by that licensee during the calendar year. In addition to
24 any other provision of this title, if the total amount of distilled
25 spirits that is produced or manufactured during the year exceeds the
26 amount that is permitted annually by the license, the licensee shall apply
27 for and, ~~upon~~ ON qualification, receive a producer's license only on the
28 surrender of the craft distiller license and shall have no continuing
29 rights as a craft ~~distillery~~ DISTILLER licensee under this section.

30 C. A person may be licensed as a craft distiller to sell distilled
31 spirits that are produced or manufactured by the person if in a calendar
32 year the person produces or manufactures not more than twenty thousand
33 gallons of distilled spirits and may make sales and deliveries of
34 distilled spirits only as specified in this section and subject to the
35 following criteria:

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

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

43 3. A licensed craft distiller may sell distilled spirits that are
44 produced or manufactured on the premises in the original container for

1 consumption off the premises to a consumer who is physically present on
2 the premises.

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

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

13 (b) Make deliveries of the distilled spirits that the craft
14 distiller manufactures or produces to any commonly controlled retail
15 licensed premises ~~THAT ARE LOCATED ON OR ADJACENT TO THE CRAFT DISTILLER~~
16 ~~PREMISES OR TO THE CRAFT DISTILLER'S REMOTE TASTING ROOMS AND THAT ARE~~
17 authorized pursuant to ~~paragraph 4 of this subsection~~ THIS PARAGRAPH. ~~The~~
18 ~~amount of these deliveries must be included in the limitation provided~~
19 ~~under paragraph 5 of this subsection.~~

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

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

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

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

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

40 (c) The distilled spirits are for personal use only and not for
41 resale.

42 (d) The distilled spirits are shipped to a residential or business
43 address other than a premises licensed pursuant to this title.

44 (e) The purchaser could have carried the distilled spirits lawfully
45 into or within this state.

1 (f) A person who is at least twenty-one years of age makes the
2 delivery.

3 (g) The craft distiller ~~shall collect~~ COLLECTS payment for the
4 price of the spirituous liquor no later than at the time of delivery.

5 ~~(h) Sales do not exceed the limits provided under paragraph 5 of~~
6 ~~this subsection.~~

7 D. On application by a craft ~~distillery~~ DISTILLER licensee, the
8 director may authorize a craft ~~distillery~~ DISTILLER licensee to operate
9 ~~one~~ TWO other remote tasting and retail premises if:

10 1. The distilled spirits sold at the premises ~~is~~ ARE limited to
11 distilled spirits produced or manufactured by the licensed craft
12 distillery and distilled spirits produced or manufactured by another
13 licensed craft distillery. The craft distillery may sell to a consumer
14 physically present on the premises distilled spirits produced by the craft
15 distillery or by other licensed craft distilleries in the original
16 container for consumption on or off the premises. The sales of the
17 distilled spirits produced or manufactured by other craft distilleries
18 shall not exceed twenty ~~per cent~~ PERCENT of the craft distillery's total
19 sales by volume.

20 2. The craft ~~distillery~~ DISTILLER licensee:

21 (a) Remains responsible for the premises.

22 (b) Obtains approval for the premises from the local governing body
23 before submitting an application to the department. A copy of an order
24 from the local governing body recommending approval of the premises must
25 be filed with the department as part of the application.

26 (c) Does not sublease the premises.

27 (d) Has an agent who shall be a natural person who meets the
28 qualifications of licensure in this state.

29 (e) Meets the qualifications for a license pursuant to section
30 4-203, subsection A.

31 (f) FOR A TASTING ROOM WITH A SHARED PATIO, MEETS THE REQUIREMENTS
32 PRESCRIBED IN SECTION 4-205.12.

33 E. The craft distiller is liable for any violation that is
34 committed in connection with any sale or delivery of the distilled
35 spirits. The rules adopted by the director pursuant to section 4-203,
36 subsection J apply to the delivery of distilled spirits under subsection C
37 of this section. An act or omission of any person who makes a sale or
38 delivery of distilled spirits for a licensee under subsection C of this
39 section is deemed to be an act or omission of the licensee for the
40 purposes of section 4-210, subsection A, paragraph 9.

41 F. A craft distiller that sells or delivers distilled spirits
42 pursuant to this section shall:

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

1 2. File all returns or reports that are required by law.

2 G. A delivery of distilled spirits by a craft distiller to a
3 purchaser in this state is a transaction deemed to have occurred in this
4 state.

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

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

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

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

14 4-205.11. Craft distillery festival license; craft distillery
15 fair license; craft distillery fee

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

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

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

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

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

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

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

1 D. THE DIRECTOR MAY ISSUE UP TO ONE HUNDRED FIFTY CRAFT DISTILLERY
2 FESTIVAL LICENSES FOR EACH CRAFT DISTILLERY LICENSED PURSUANT TO THIS
3 TITLE. THE DIRECTOR MAY ESTABLISH A FEE FOR EACH DAY OF EACH EVENT FOR A
4 CRAFT DISTILLERY FESTIVAL LICENSE.

5 ~~B.~~ E. Any craft distillery may apply for a craft distillery
6 festival license pursuant to this section.

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

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

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

18 4-205.12. Tasting rooms with shared patios

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

23 1. EACH REMOTE TASTING ROOM LICENSE SHALL BE HELD BY A DIFFERENT
24 PERSON.

25 2. EACH LICENSE SHALL BE LOCATED IN SEPARATE PREMISES THAT ARE
26 LICENSED SEPARATELY.

27 3. REMOTE TASTING ROOM LICENSEES MAY SHARE A COMMON INDOOR AREA AND
28 COMMON OUTDOOR PATIO FOR TASTING AND FOR CONSUMPTION OF THEIR PRODUCTS.

29 4. THE REMOTE TASTING ROOM LICENSEES SHALL EACH COMPLY FULLY WITH
30 ALL APPLICABLE REQUIREMENTS PRESCRIBED IN SECTIONS 4-205.04 AND 4-205.10.

31 5. PERSONS WHO HOLD A CRAFT DISTILLER LICENSE OR A DOMESTIC FARM
32 WINERY LICENSE WITH COMBINED PREMISES UNDER THIS SECTION MAY NOT HOLD ANY
33 OTHER LICENSE ISSUED PURSUANT TO THIS TITLE.

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

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

39 4-206.01. Bar, beer and wine bar or liquor store licenses;
40 number permitted; fee; sampling privileges

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

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

1 type for each additional ten thousand person increase over the population
 2 in that county as of July 1, 2010. Any licenses that have been revoked or
 3 reverted in any county ~~after July 1, 2014~~ may be reissued by the director
 4 in the county of their issuance. The director may waive the issuance of
 5 any series of new, revoked or reverted licenses in a county for one year
 6 where there has been no request made to the department for the issuance of
 7 a new license of that series. For the purposes of this subsection, the
 8 population of a county is deemed to be the population estimated by the
 9 office of economic opportunity as of July 1 of each year.

10 C. IN EACH COUNTY, THE DIRECTOR, EACH YEAR, SHALL ISSUE ADDITIONAL
 11 BEER AND WINE BAR LICENSES AT THE RATE OF ONE OF EACH TYPE FOR EACH
 12 ADDITIONAL FIVE THOUSAND PERSON INCREASE OVER THE POPULATION IN THAT
 13 COUNTY UNTIL JANUARY 1, 2022. BEGINNING JANUARY 1, 2022, IN EACH COUNTY,
 14 THE DIRECTOR, EACH YEAR, SHALL ISSUE ADDITIONAL BEER AND WINE BAR LICENSES
 15 AT THE RATE OF ONE OF EACH TYPE FOR EACH ADDITIONAL TEN THOUSAND PERSON
 16 INCREASE OVER THE POPULATION IN THAT COUNTY. ANY LICENSES THAT HAVE BEEN
 17 REVOKED OR REVERTED IN ANY COUNTY MAY BE REISSUED BY THE DIRECTOR IN THE
 18 COUNTY WHERE THE LICENSES WERE ORIGINALLY ISSUED. THE DIRECTOR MAY WAIVE
 19 THE ISSUANCE OF ANY SERIES OF NEW, REVOKED OR REVERTED LICENSES IN A
 20 COUNTY FOR ONE YEAR IF THERE HAS BEEN NO REQUEST MADE TO THE DEPARTMENT
 21 FOR THE ISSUANCE OF A NEW LICENSE OF THAT SERIES. FOR THE PURPOSES OF
 22 THIS SUBSECTION, THE POPULATION OF A COUNTY IS DEEMED TO BE THE POPULATION
 23 ESTIMATED AS OF JULY 1 OF EACH YEAR BY THE OFFICE OF ECONOMIC OPPORTUNITY.

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

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

36 ~~E.~~ F. If more than one person applies for an available license, a
 37 priority of applicants shall be determined by a random selection method
 38 prescribed by the director.

39 ~~F.~~ G. After January 1, 2011, bar licenses and beer and wine bar
 40 licenses shall be issued and used only if the clear primary purpose and
 41 actual primary use is for on-sale retailer privileges. The off-sale
 42 privileges associated with a bar license and a beer and wine bar license
 43 shall be limited to use, which is clearly auxiliary to the active primary
 44 on-sale privilege. A bar license or a beer and wine bar license shall not
 45 be issued or used if the associated off-sale use, by total retail

1 spirituous liquor sales, exceeds thirty percent of the sales price of
 2 on-sale spirituous liquors by the licensee at that location. For dual
 3 licenses issued pursuant to a single site or where a second license is
 4 issued to a site that already has a spirituous liquor license, other than
 5 settlement licenses issued as provided by law, the applicant shall have
 6 the burden of establishing that public convenience and the best interest
 7 of the community will be served by the issuance of the license.

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

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

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

38 ~~J.~~ K. An applicant for a liquor store license or a beer and wine
 39 store license and the licensee of a liquor store license or a beer and
 40 wine store license may apply for sampling privileges associated with the
 41 license. Beer and wine store premises containing less than five thousand
 42 square feet must dedicate at least seventy-five percent of retail shelf
 43 space to the sale of spirituous liquor in order to be eligible for
 44 sampling privileges. A person desiring a sampling privilege associated
 45 with a liquor store license shall apply to the director on a form

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

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

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

22 3. The licensed retailer shall make sales of sampled products from
 23 the licensed retail premises.

24 4. The licensee shall not charge any customer for the sampling of
 25 any products.

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

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

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

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

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

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

1 title. A beer and wine store license and a bar license on the same
2 premises shall be owned by and issued to the same licensee. If a beer and
3 wine store license and a bar license are issued at the same premises, for
4 purposes of reporting liquor purchases under each license, all off-sale
5 beer and wine sales are conclusively presumed to be purchased under the
6 beer and wine store license.

7 Sec. 12. Section 4-209, Arizona Revised Statutes, is amended to
8 read:

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

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

35 B. Issuance fees for original licenses shall be:

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

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

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

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

- 1 5. For a government license issued in the name of a state agency,
2 state commission, state board, county, city, town, community college or
3 state university or the national guard, one hundred dollars.
- 4 6. For a bar license, which is an on-sale retailer's license to
5 sell all spirituous liquors primarily by individual portions and in the
6 original containers, one thousand five hundred dollars.
- 7 7. For a beer and wine bar license, which is an on-sale retailer's
8 license to sell beer and wine primarily by individual portions and in the
9 original containers, one thousand five hundred dollars.
- 10 8. For a conveyance license issued to an operating railroad
11 company, to sell all spirituous liquors in individual portions or in the
12 original containers on all passenger trains operated by the railroad
13 company, or to an operating airline company, to sell or serve spirituous
14 liquors solely in individual portions on all passenger planes operated by
15 the airline company, or to a boat operating in the waters of this state,
16 to sell all spirituous liquors in individual portions or in the original
17 containers for consumption on the boat, one thousand five hundred dollars.
- 18 9. For a liquor store license, which is an off-sale retailer's
19 license to sell all spirituous liquors, one thousand five hundred dollars.
- 20 10. For a beer and wine store license, which is an off-sale
21 retailer's license to sell beer and wine, one thousand five hundred
22 dollars.
- 23 11. For a hotel-motel license issued as such, to sell and serve
24 spirituous liquors solely for consumption on the licensed premises of the
25 hotel or motel, one thousand five hundred dollars.
- 26 12. For a restaurant license issued as such, to sell and serve
27 spirituous liquors solely for consumption on the licensed premises of the
28 restaurant, one thousand five hundred dollars. For a permit issued under
29 section 4-205.02, subsection H allowing for the sale of beer for the
30 consumption off the licensed premises pursuant to section 4-244, paragraph
31 32, subdivision (c), the director may charge a fee.
- 32 13. For a farm winery license, one hundred dollars. The director
33 may charge a licensed farm winery a fee pursuant to section 4-205.04,
34 subsection L.
- 35 14. For a club license issued in the name of a bona fide club
36 qualified under this title to sell all spirituous liquors on-sale, one
37 thousand dollars.
- 38 15. For an out-of-state winery that sells not more than two hundred
39 forty gallons of wine in this state in a calendar year, twenty-five
40 dollars.
- 41 16. The department may charge a fee for a craft distiller license.
- 42 C. The department may issue licenses with staggered renewal dates
43 to distribute the renewal workload as uniformly as practicable throughout
44 the twelve months of the calendar year. If a license is issued less than
45 six months before the scheduled renewal date of the license, as provided

1 by the department's staggered license renewal system, one-half of the
2 annual license fee shall be charged.

3 D. The annual fees for licenses shall be:

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

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

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

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

12 5. For a government license issued to a county, city or town,
13 community college or state university or the national guard, one hundred
14 dollars.

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

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

21 8. For a conveyance license issued to an operating railroad
22 company, to sell all spirituous liquors in individual portions or in the
23 original containers on all passenger trains operated by the railroad
24 company, or to an operating airline company, to sell or serve spirituous
25 liquors solely in individual portions on all passenger planes operated by
26 the airline company, or to a boat operating in the waters of this state,
27 to sell all spirituous liquor in individual portions or in the original
28 containers for consumption on the boat, two hundred twenty-five dollars.

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

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

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

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

43 13. For a farm winery license, one hundred dollars. The director
44 may charge a licensed farm winery an annual fee pursuant to section
45 4-205.04, subsection L.

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

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

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

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

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

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

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

31 I. No fee shall be charged by the department for an assignment of a
32 liquor license in probate or an assignment pursuant to the provisions of a
33 will or pursuant to a judicial decree in a domestic relations proceeding
34 that assigns ownership of a business that includes a spirituous liquor
35 license to one of the parties in the proceeding. In the case of
36 nontransferable licenses no fee shall be charged by the department for the
37 issuance of a license for a licensed business pursuant to a transfer of
38 the business in probate or pursuant to the provisions of a will or
39 pursuant to a judicial decree in a domestic relations proceeding that
40 assigns ownership of the business to one of the parties in the proceeding.

41 J. The director shall assess a surcharge of thirty dollars on all
42 licenses prescribed in subsection D, paragraphs 6, 7 and 12 of this
43 section. Monies from the surcharge shall be used by the department
44 exclusively for the costs of an auditor and support staff to review
45 compliance by applicants and licensees with the requirements of section

1 4-205.02, subsection E. The department shall assess the surcharge as part
2 of the annual license renewal fee.

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

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

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

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

30 4-213. Restaurant audit

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

38 B. Except as provided in subsection D of this section, the
39 department shall audit accounts, records and operations of a licensee that
40 cover a twelve month period. When conducting an audit, the department
41 shall use generally accepted auditing standards. An establishment that
42 averages at least forty ~~per cent~~ **PERCENT** of its gross revenue from the
43 sale of food during the twelve month audit period shall be deemed to
44 comply with the gross revenue requirements of section 4-205.02. The

1 twelve month audit period shall fall within the sixteen months immediately
2 preceding the beginning of the audit.

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

8 1. Less than thirty ~~per cent~~ PERCENT, notwithstanding section
9 4-209, subsection A, the director shall deem the license to have been
10 surrendered or may revoke the license as provided in section 4-205.02,
11 subsection D.

12 2. At least thirty ~~per cent~~ PERCENT but less than thirty-seven ~~per~~
13 ~~cent~~ PERCENT, the department shall allow the licensee a ~~six month~~
14 SIX-MONTH period to continue to operate under the restaurant license,
15 during which the licensee shall ~~either:~~

16 ~~(a)~~ replace the license with a bar or beer and wine bar license,
17 except that, at the end of that ~~six month~~ SIX-MONTH period, the department
18 shall revoke the restaurant license or the licensee shall surrender the
19 restaurant license.

20 ~~(b) Obtain permission from the department to continue operating~~
21 ~~with a restaurant license pursuant to subsection E of this section.~~

22 3. At least thirty-seven ~~per cent~~ PERCENT but less than forty ~~per~~
23 ~~cent~~ PERCENT, the licensee shall be granted a period of one year to
24 continue to operate under the restaurant license, during which the
25 licensee shall attempt to increase the food percentage to at least forty
26 ~~per cent~~ PERCENT. If the licensee does not increase the percentage of
27 food sales to at least forty ~~per cent~~ PERCENT, the department shall allow
28 the licensee a ~~six month~~ SIX-MONTH period to continue to operate under the
29 restaurant license, during which the licensee shall ~~either:~~

30 ~~(a)~~ replace the license with a bar or beer and wine bar license,
31 except that, at the end of the ~~six month~~ SIX-MONTH period, the department
32 shall revoke the restaurant license or the licensee shall surrender the
33 restaurant license.

34 ~~(b) Obtain permission from the department to continue operating~~
35 ~~with a restaurant license pursuant to subsection E of this section.~~

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

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

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

17 ~~2. The restaurant's equipment is of a sufficient grade and the size~~
18 ~~of the restaurant's kitchen is appropriate to the menu offered and the~~
19 ~~kitchen occupies not less than twenty per cent of the total floor space of~~
20 ~~the licensed premises.~~

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

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

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

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

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

38 ~~1. The department shall advise the governing body of the city or~~
39 ~~town if the premises are within the incorporated limits of a city or town~~
40 ~~or the county of the department's intent.~~

41 ~~2. The city or town or the county shall post a notice for at least~~
42 ~~twenty days on the licensed premises that the licensee has made a request~~
43 ~~for continuation to operate with a restaurant license and invite bona fide~~
44 ~~residents who own, lease or reside on property within a one mile radius of~~
45 ~~the licensed premises to file written comments with the department~~

1 ~~regarding the request within thirty days of the first posting of the~~
2 ~~notice.~~

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

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

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

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

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

36 4-243. Commercial coercion or bribery unlawful; exceptions

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

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

44 2. To induce a retailer by any form of commercial bribery to
45 purchase spirituous liquor from the producer or wholesaler to the

1 exclusion, in whole or in part, of spirituous liquor sold or offered for
2 sale by other persons.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

39 (l) All sampling procedures shall comply with federal sampling laws
40 and regulations.

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

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

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

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

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

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

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

30 Sec. 15. Section 28-1304, Arizona Revised Statutes, is amended to
31 read:

32 28-1304. Driving under the influence abatement fund

33 A. The driving under the influence abatement fund is established
34 consisting of monies deposited pursuant to ~~section 4-213, subsection J,~~
35 section 5-396, subsection I, paragraph 2, section 5-397, subsection D,
36 paragraph 3 and subsection F, paragraph 3, section 28-1382, subsection D,
37 paragraph 3 and subsection E, paragraph 3, section 28-1383, subsection J,
38 paragraph 2 and section 28-1465.

39 B. The oversight council on driving or operating under the
40 influence abatement established by section 28-1303 shall administer the
41 fund.

42 C. Twenty-five ~~per cent~~ PERCENT of the monies deposited in the fund
43 shall be used for grants for innovative programs pursuant to section
44 28-1303, subsection H, paragraph 2 and seventy ~~per cent~~ PERCENT of the
45 monies deposited in the fund shall be used for grants to political

1 subdivisions and tribal governments pursuant to section 28-1303,
2 subsection H, paragraph 1.

3 D. Not more than five ~~per cent~~ PERCENT of the monies deposited in
4 the fund shall be used for both of the following:

5 1. Administrative purposes of the oversight council on driving or
6 operating under the influence abatement.

7 2. Payment of the costs of notification prescribed by section
8 28-1467.

9 E. Monies in the fund are:

10 1. Continuously appropriated.

11 2. Exempt from the provisions of section 35-190 relating to lapsing
12 of appropriations.

13 F. On notice from the oversight council on driving or operating
14 under the influence abatement, the state treasurer shall invest and divest
15 monies in the fund as provided in section 35-313, and monies earned from
16 investments shall be credited to the fund.