

State of Arizona
House of Representatives
Fifty-third Legislature
Second Regular Session
2018

CHAPTER 240
HOUSE BILL 2334

AN ACT

AMENDING SECTIONS 4-101 AND 4-112, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 1, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 4-116.01; AMENDING SECTIONS 4-120, 4-201, 4-203, 4-203.02, 4-203.03, 4-205, 4-205.04, 4-205.08, 4-205.10, 4-205.11, 4-206.01, 4-207, 4-210, 4-241 AND 4-243, ARIZONA REVISED STATUTES; AMENDING LAWS 2014, CHAPTER 253, SECTION 37; 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":
7 (a) Means an incident consisting of a riot, a ~~brawl or a~~
8 ~~disturbance~~ FIGHT, AN ALTERCATION OR TUMULTUOUS CONDUCT:
9 (i) In which bodily injuries are sustained by any person and ~~such~~
10 ~~THE~~ injuries would be obvious to a reasonable person, ~~or tumultuous~~
11 ~~conduct~~.
12 (ii) Of sufficient intensity as to require the intervention of a
13 peace officer to restore normal order. ~~, or an incident~~
14 (iii) In which a weapon is brandished, displayed or used. ~~Act of~~
15 ~~violence~~
16 (iv) WHERE A LICENSEE OR AN EMPLOYEE OR CONTRACTOR OF THE LICENSEE
17 FAILS TO FOLLOW A CLEAR AND DIRECT ORDER FROM A LAW ENFORCEMENT OFFICER OR
18 A FIRE MARSHAL.
19 (b) Does not include the use of nonlethal devices by a peace
20 officer.
21 2. "Aggrieved party" means a person who resides at, owns or leases
22 property within a ~~one mile~~ ONE-MILE radius of a premises proposed to be
23 licensed and who filed a written request with the department to speak in
24 favor of or opposition to the issuance of the license no later than sixty
25 days after the filing of the application or fifteen days after action by
26 the local governing body, whichever is sooner.
27 3. "Beer" means any beverage obtained by the alcoholic
28 fermentation, infusion or decoction of barley malt, hops, or other
29 ingredients not drinkable, or any combination of them.
30 4. "Board" means the state liquor board.
31 5. "Bona fide guest" means:
32 (a) An individual who is personally familiar to the member, who is
33 personally sponsored by the member and whose presence as a guest is in
34 response to a specific and personal invitation.
35 (b) In the case of a club that meets the criteria prescribed in
36 paragraph 7, subdivision (a) of this section, a current member of the
37 armed services of the United States who presents proper military
38 identification and any member of a recognized veterans' organization of
39 the United States and of any country allied with the United States during
40 current or past wars or through treaty arrangements.
41 6. "Broken package" means any container of spirituous liquor on
42 which the United States tax seal has been broken or removed, or from which
43 the cap, cork or seal placed thereupon by the manufacturer has been
44 removed.

1 7. "Club" includes any of the following organizations where the
2 sale of spirituous liquor for consumption on the premises is made ONLY to
3 members, ~~only~~ SPOUSES OF MEMBERS, FAMILIES OF MEMBERS, BONA FIDE GUESTS OF
4 MEMBERS AND GUESTS AT OTHER EVENTS AUTHORIZED IN THIS TITLE:

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

10 (b) A chapter, aerie, parlor, lodge or other local unit of an
11 American national fraternal organization that has, as the owner, lessee or
12 occupant, operated an establishment for fraternal purposes in this state.
13 An American national fraternal organization as used in this subdivision
14 shall actively operate in ~~not less than~~ AT LEAST thirty-six states or have
15 been in active continuous existence for ~~not less than~~ AT LEAST twenty
16 years.

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

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

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

1 license to sell liquor, but solely to a bona fide club, where the sale of
2 liquor is incidental to the main purposes of the club.

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

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

8 9. "Control" means the power to direct or cause the direction of
9 the management and policies of an applicant or licensee, whether through
10 the ownership of voting securities or a partnership interest, by agreement
11 or otherwise. Control is presumed to exist if a person has the direct or
12 indirect ownership of or power to vote ten percent or more of the
13 outstanding voting securities of the applicant or licensee or to control
14 in any manner the election of one or more of the directors of the
15 applicant or licensee. In the case of a partnership, control is presumed
16 to mean the general partner or a limited partner who holds ten percent or
17 more of the voting rights of the partnership. For the purposes of
18 determining the percentage of voting securities owned, controlled or held
19 by a person, there shall be aggregated with the voting securities
20 attributed to the person the voting securities of an officer, partner,
21 employee or agent of the person or a spouse, parent or child of the
22 person. Control is also presumed to exist if a creditor of the applicant
23 or licensee holds a beneficial interest in ten percent or more of the
24 liabilities of the licensee. The presumptions in this paragraph regarding
25 control are rebuttable.

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

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

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

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

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

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

1 or maintenance of the premises or for the delivery of goods to the
2 licensee.

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

6 17. "Government license" means a license to serve and sell
7 spirituous liquor on specified premises available only to a state agency,
8 state board, state commission, county, city, town, community college or
9 state university or the national guard or Arizona coliseum and exposition
10 center on application by the governing body of a state agency, state
11 board, state commission, county, city, town, community college or state
12 university or the national guard or Arizona exposition and state fair
13 board.

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

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

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

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

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

26 23. "Microbrewery" means a brewery in the United States or in a
27 territory or possession of the United States that meets the requirements
28 of section 4-205.08.

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

35 25. "On-sale retailer" means any person operating an establishment
36 where spirituous liquors are sold in the original container for
37 consumption on or off the premises or in individual portions for
38 consumption on the premises.

39 26. "Permanent occupancy" means the maximum occupancy of the
40 building or facility as set by the office of the state fire marshal for
41 the jurisdiction in which the building or facility is located.

42 27. "Person" includes a partnership, limited liability company,
43 association, company or corporation, as well as a natural person.

44 28. "Premises" or "licensed premises" means the area from which the
45 licensee is authorized to sell, dispense or serve spirituous liquors under

1 the provision of the license. Premises or licensed premises includes a
2 patio that is not contiguous to the remainder of the premises or licensed
3 premises if the patio is separated from the remainder of the premises or
4 licensed premises by a public or private walkway or driveway not to exceed
5 thirty feet, subject to rules the director may adopt to establish criteria
6 for noncontiguous premises.

7 29. "Registered mail" includes certified mail.

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

11 31. "Repeated acts of violence" means:

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

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

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

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

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

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

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

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

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

44 36. "Veteran" means a person who has served in the United States
45 air force, army, navy, marine corps or coast guard, as an active nurse in

1 the services of the American red cross, in the army and navy nurse corps
2 in time of war, or in any expedition of the armed forces of the United
3 States, and who has received a discharge other than dishonorable.

4 37. "Voting security" means any security presently entitling the
5 owner or holder of the security to vote for the election of directors of
6 an applicant, ~~OR A licensee or controlling person.~~

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

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

13 4-112. Powers and duties of board and director of department
14 of liquor licenses and control; investigations;
15 county and municipal regulation; definition

16 A. The board shall:

17 1. Grant and deny applications in accordance with the provisions of
18 this title.

19 2. Adopt rules in order to carry out the provisions of this
20 section.

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

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

24 1. Adopting rules:

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

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

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

30 (d) For the issuance and revocation of certificates of registration
31 of retail agents, including provisions governing the shipping, storage and
32 delivery of spirituous liquors by registered retail agents, the keeping of
33 records and the filing of reports by registered retail agents.

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

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

38 3. Keeping an index record ~~which shall be~~ THAT IS a public record
39 open to public inspection and ~~shall contain~~ THAT CONTAINS the name and
40 address of each licensee and the name and address of any person having an
41 interest, either legal or equitable, in each license as shown by any
42 written document, ~~which document shall be~~ THAT IS placed on file in the
43 office of the board.

44 4. Providing the board with ~~such~~ supplies and personnel as ~~may be~~
45 directed by the board.

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

7 6. Taking ~~such~~ steps ~~as~~ THAT are necessary to maintain effective
8 liaison with the department of public safety and all local law enforcement
9 agencies in the enforcement of this title including the laws of this state
10 against the consumption of spirituous liquor by persons under the legal
11 drinking age.

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

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

20 D. All employees of the department of liquor licenses and control,
21 except members of the state liquor board and the director of the
22 department, shall be employed by the department in the manner prescribed
23 by the department of administration.

24 E. The director may enter into a contract or agreement with any
25 public agency for any joint or cooperative action as provided for by title
26 11, chapter 7, article 3.

27 F. The board or the director may take evidence, administer oaths or
28 affirmations, issue subpoenas requiring attendance and testimony of
29 witnesses, cause depositions to be taken and require by subpoena duces
30 tecum the production of books, papers and other documents ~~which~~ THAT are
31 necessary for the enforcement of this title. Proceedings held during the
32 course of a confidential investigation are exempt from title 38, chapter
33 3, article 3.1. If a person refuses to obey a subpoena or fails to answer
34 questions as provided by this subsection, the board or the director may
35 apply to the superior court in the manner provided in section 12-2212.
36 The board or director may serve subpoenas by personal service or certified
37 mail, return receipt requested.

38 G. The director may:

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

40 2. Require applicants, licensees, employees who serve, sell or
41 furnish spirituous liquors to retail customers, managers and managing
42 agents to take training courses approved by the director in spirituous
43 liquor handling and spirituous liquor laws and rules. The director shall
44 adopt rules that set standards for approving training courses. **AFTER**
45 **JANUARY 1, 2019, THE RULES FOR ON-SALE RETAILER BASIC TRAINING AND ON-SALE**

1 RETAILER MANAGEMENT TRAINING SHALL INCLUDE SECURITY PROCEDURES FOR
2 SECURITY PERSONNEL ASSIGNED TO MONITOR ADMISSION OF PATRONS, INTERACTION
3 WITH PATRONS, CALLS TO LAW ENFORCEMENT AND STRATEGIES FOR USE OF FORCE AND
4 FOR THE USE OF DE-ESCALATION TECHNIQUES. IF THE RETAILER USES A
5 REGISTERED SECURITY GUARD, THE RETAILER SHALL ATTEMPT TO VERIFY THE
6 VALIDITY AND STATUS OF THE SECURITY GUARD'S REGISTRATION CERTIFICATE. The
7 department's licensed investigators may participate and receive
8 compensation as lecturers at approved training courses within this state's
9 jurisdiction that are conducted by other entities but shall not
10 participate in in-house training programs for licensees.

11 3. Delegate to employees of the department authority to exercise
12 powers of the director in order to administer the department.

13 4. Regulate signs that advertise a spirituous liquor product at
14 licensed retail premises.

15 5. Cause to be removed from the marketplace spirituous liquor that
16 may be contaminated.

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

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

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

27 9. Accept and expend private grants of monies, gifts and devises
28 for conducting educational programs for parents and students on the
29 repercussions of underage alcohol consumption. State general fund monies
30 shall not be expended for the purposes of this paragraph. If the director
31 does not receive sufficient monies from private sources to carry out the
32 purposes of this paragraph, the director shall not provide the educational
33 programs prescribed in this paragraph. Grant monies received pursuant to
34 this paragraph are nonlapsing and do not revert to the state general fund
35 at the close of the fiscal year.

36 10. Procure fingerprint scanning equipment and provide fingerprint
37 services to license applicants and licensees. The department may charge a
38 fee for providing these services.

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

43 12. FOR USE AFTER JANUARY 1, 2019, ADOPT A FORM THAT IS REQUIRED TO
44 BE USED BY ALL ON-SALE RETAILERS THAT HIRE OR DESIGNATE EMPLOYEES TO SERVE
45 AS SECURITY PERSONNEL. ALL SECURITY PERSONNEL JOB APPLICANTS AND

1 EMPLOYEES FOR ON-SALE RETAILERS SHALL COMPLETE THE FORM, WHICH SHALL BE
2 NOTARIZED, BEFORE ASSIGNMENT TO A SECURITY ROLE. THE FORM SHALL REQUIRE
3 THE APPLICANT OR OTHER PERSON TO DISCLOSE WHETHER IN THE PREVIOUS FIVE
4 YEARS THE PERSON HAS BEEN A REGISTERED SEX OFFENDER OR PLED GUILTY, PLED
5 NO CONTEST OR BEEN CONVICTED OF ANY OFFENSE THAT CONSTITUTES ASSAULT,
6 HOMICIDE, DOMESTIC VIOLENCE, SEXUAL MISCONDUCT, MISCONDUCT INVOLVING A
7 DEADLY WEAPON OR A DRUG VIOLATION THAT CONSTITUTES THE ILLEGAL SALE,
8 MANUFACTURING, CULTIVATION OR TRANSPORTATION FOR SALE OF MARIJUANA, A
9 DANGEROUS DRUG OR A NARCOTIC DRUG. A LICENSEE MAY NOT HIRE OR ASSIGN TO A
10 ROLE AS SECURITY PERSONNEL ANY PERSON WHO FAILS TO COMPLETE THE FORM OR IF
11 THE FORM DISCLOSES ONE OF THE LISTED OFFENSES WITHIN THE PREVIOUS FIVE
12 YEARS. THE LICENSEE SHALL MAINTAIN ON FILE AFFIDAVITS OF ALL SECURITY
13 PERSONNEL HIRED OR DESIGNATED BY THE LICENSEE. THE FORM MAY NOT BE
14 REQUIRED FOR A PEACE OFFICER WHO IS CERTIFIED BY THE ARIZONA PEACE OFFICER
15 STANDARDS AND TRAINING BOARD OR OTHER SECURITY PERSONNEL WHO HOLD A
16 CURRENT SECURITY GUARD REGISTRATION CERTIFICATE OR ARMED SECURITY GUARD
17 REGISTRATION CERTIFICATE ISSUED PURSUANT TO TITLE 32, CHAPTER 26.

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

21 I. FOR THE PURPOSES OF THIS SECTION, "SECURITY PERSONNEL" INCLUDES
22 INDIVIDUALS WHOSE PRIMARY ASSIGNED RESPONSIBILITIES INCLUDE THE SECURITY
23 AND SAFETY OF EMPLOYEES AND PATRONS OF AN ON-SALE RETAILER PREMISES.
24 SECURITY PERSONNEL DOES NOT INCLUDE A PERSON WHOSE PRIMARY
25 RESPONSIBILITIES INCLUDE CHECKING THE IDENTIFICATION CARDS OF PATRONS TO
26 DETERMINE COMPLIANCE WITH AGE REQUIREMENTS.

27 Sec. 3. Title 4, chapter 1, article 2, Arizona Revised Statutes, is
28 amended by adding section 4-116.01, to read:

29 4-116.01. Receipts from sampling privilege and growler
30 permits

31 NOTWITHSTANDING ANY OTHER LAW, ALL RECEIPTS DERIVED FROM SAMPLING
32 PRIVILEGE AND GROWLER PERMIT APPLICATIONS ARE APPROPRIATED TO THE
33 DEPARTMENT. THE DEPARTMENT SHALL DEPOSIT MONIES RECEIVED PURSUANT TO THIS
34 SECTION IN THE LIQUOR LICENSES FUND ESTABLISHED BY SECTION 4-120. THE
35 AMOUNT DEPOSITED INTO THE LIQUOR LICENSES FUND PURSUANT TO THIS SECTION
36 SHALL BE WITHOUT REGARD TO THE AMOUNT APPROPRIATED TO THE DEPARTMENT BY
37 THE LEGISLATURE.

38 Sec. 4. Section 4-120, Arizona Revised Statutes, is amended to
39 read:

40 4-120. Liquor licenses fund; exemption

41 A. The liquor licenses fund is established consisting of monies
42 deposited pursuant to ~~section~~ SECTIONS 4-115 AND 4-116.01. The department
43 of liquor licenses and control shall administer the fund. The amount
44 deposited in the fund each year shall not exceed the amount appropriated
45 by the legislature.

1 B. Monies in the fund are subject to legislative appropriation.

2 C. Monies in the fund are exempt from the provisions of section
3 35-190 relating to lapsing of appropriations, except that any monies
4 remaining in the fund in excess of seven hundred thousand dollars at the
5 end of each fiscal year ~~reverts~~ REVERT to the state general fund.

6 Sec. 5. Section 4-201, Arizona Revised Statutes, is amended to
7 read:

8 4-201. Licensing; application procedure in city, town or
9 county; burden of proof

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

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

38 Notice

39 A hearing on a liquor license application shall be held before
40 the local governing body at the following date, time and
41 place:

42 (Insert date, time and address)

43 The local governing body will recommend to the state liquor
44 board whether the board should grant or deny the license. The
45 state liquor board may hold a hearing to consider the

1 recommendation of the local governing body. Any person
2 residing or owning or leasing property within a one-mile
3 radius may contact the state liquor board in writing to
4 register as a protestor. To request information regarding
5 procedures before the board and notice of any board hearings
6 regarding this application, contact the state liquor board at:
7 (Insert address and telephone number).

8 No arguments shall be filed or accepted by the city or town clerk
9 thereafter. This subsection ~~shall not be construed to~~ DOES NOT prevent a
10 bona fide resident residing or owning or leasing property within a
11 one-mile radius from the premises proposed to be licensed from testifying
12 in favor of or in opposition to the issuance of the license, regardless of
13 whether or not the person is a user or nonuser of spirituous liquor.

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

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

29 E. On receipt of an application for a spirituous liquor license,
30 the director shall set the application for A hearing by the board on a
31 date following the expiration of the time fixed for the submitting of the
32 certified order by the governing body of the city or town or the board of
33 supervisors. If the city or town or the county recommends approval of the
34 license ~~no~~ A hearing is NOT required unless the director, the board or any
35 aggrieved party requests a hearing on the grounds that the public
36 convenience and the best interest of the community will not be
37 substantially served if a license is issued. Any natural person residing
38 or owning or leasing property within a ~~one-mile~~ ONE-MILE radius of the
39 proposed location may file a written protest with the director ON A FORM
40 PRESCRIBED BY THE DIRECTOR not later than fifteen calendar days after
41 action by the local governing body or sixty days after THE filing OF the
42 application, whichever is sooner. THE DIRECTOR SHALL ALLOW PROTESTS TO BE
43 SUBMITTED BY WAY OF EMAIL. The written argument shall contain the natural
44 person's complete name, street address or post office box address and
45 written or electronic signature. If the written arguments are filed by a

1 person on behalf of a corporation or other legal entity or association,
2 the written arguments must be accompanied by a copy of the entity's
3 organizing document, a designation of the office or position that the
4 person holds within the organization and a copy of the written appointment
5 of the person to speak on behalf of the organization. If the written
6 arguments are filed by a neighborhood association, block watch or other
7 unincorporated association, written arguments must be accompanied by a
8 letter of authority designating that person as a spokesperson. If no
9 hearing is requested by the director, the board or any aggrieved party,
10 the application may be approved by the director. If the recommendation is
11 for disapproval of an application, the board shall hold a hearing. If the
12 city, town or county recommends approval of the license pursuant to
13 subsection C of this section or makes no recommendation, the director may
14 cancel the hearing and issue the license unless the board or any aggrieved
15 party requests a hearing. If the reason for the protest is clearly
16 removed or deemed satisfied by the director, the board shall cancel the
17 hearing. If the board cancels the hearing, the department may
18 administratively issue an order without the applicant licensee or other
19 parties present. The certified order, the reasons contained in the order
20 and the summary of the testimony and other evidence supporting the city,
21 town or county disapproval of the recommendation shall be read into the
22 record before the board and shall be considered as evidence by the board.
23 The board shall consider the certified order together with other facts and
24 a report of the director relating to the qualifications of the applicant.
25 If the governing body of the city or town or the board of supervisors
26 fails to return to the director, as provided in subsections C and D of
27 this section, its order of disapproval, no hearing is required. An
28 application shall be approved or disapproved within one hundred five days
29 after THE filing of the application. If, after a hearing by the board
30 where a license has been approved, a formal written order is not entered
31 within thirty days after the hearing, the decision of the board ~~shall be~~
32 IS deemed entered on the thirtieth day after the hearing.

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

40 G. Except for a ~~person to person~~ PERSON-TO-PERSON transfer of a
41 transferable license for use at the same location and as otherwise
42 provided in section 4-203, subsection A, in all proceedings before the
43 governing body of a city or town, the board of supervisors of a county or
44 the board, the applicant bears the burden of showing that the public

1 convenience requires and that the best interest of the community will be
2 substantially served by the issuance of a license.

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

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

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

23 Sec. 6. Section 4-203, Arizona Revised Statutes, is amended to
24 read:

25 4-203. Licenses; issuance; transfer; reversion to state

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

44 B. The license shall be to manufacture, sell or deal in spirituous
45 liquors only at the place and in the manner provided in the license. A

1 separate license shall be issued for each specific business, and each
2 shall specify:

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

5 2. The place of business for which issued.

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

7 C. A spirituous liquor license issued to a bar, a liquor store or a
8 beer and wine bar shall be transferable as to any permitted location
9 within the same county, ~~provided such~~ IF THE transfer meets the
10 requirements of an original application. A spirituous liquor license may
11 be transferred to a person qualified to be a licensee, ~~provided such~~ IF
12 THE transfer is pursuant to either judicial decree, nonjudicial
13 foreclosure of a legal or equitable lien, including security interests
14 held by financial institutions pursuant to section 4-205.05, a sale of the
15 license, a bona fide sale of the entire business and stock in trade, or
16 ~~such~~ other bona fide transactions ~~as may be~~ THAT ARE provided for by rule.
17 Any change in ownership of the business of a licensee, directly or
18 indirectly, as defined by rule is deemed a transfer, EXCEPT THAT THERE IS
19 NO TRANSFER IF A NEW FICTITIOUS PERSON IS ADDED TO THE OWNERSHIP OF A
20 LICENSEE'S BUSINESS BUT THE CONTROLLING PERSONS REMAIN IDENTICAL TO THE
21 CONTROLLING PERSONS THAT HAVE BEEN PREVIOUSLY DISCLOSED TO THE DIRECTOR AS
22 PART OF THE LICENSEE'S EXISTING OWNERSHIP.

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

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

39 F. If a person other than those persons originally licensed
40 acquires control over a license or licensee, the person shall file notice
41 of the acquisition with the director within thirty business days after the
42 acquisition of control and a list of officers, directors or other
43 controlling persons on a form prescribed by the director. There is no
44 acquisition of control if a new person is added to the ownership of a
45 licensee's business but the controlling persons remain identical to the

1 controlling persons that have been previously disclosed to the director as
2 part of the licensee's existing ownership. All officers, directors or
3 other controlling persons shall meet the qualifications for licensure as
4 prescribed by this title. On request, the director shall conduct a
5 preinvestigation before the assignment, sale or transfer of control of a
6 license or licensee, the reasonable costs of which, not ~~to exceed~~ MORE
7 THAN one thousand dollars, shall be borne by the applicant. The
8 preinvestigation shall determine whether the qualifications for licensure
9 as prescribed by this title are met. On receipt of notice of an
10 acquisition of control or request of a preinvestigation, the director,
11 within fifteen days after receipt, shall forward the notice of the
12 acquisition of control to the local governing body of the city or town, if
13 the licensed premises is in an incorporated area, or the county, if the
14 licensed premises is in an unincorporated area. The director shall
15 include in the notice to the local governing body written instructions on
16 how the local governing body may examine, free of charge, the results of
17 the department's investigation regarding the capabilities, qualifications
18 and reliability of all officers, directors or other controlling persons
19 listed in the application for acquisition of control. The local governing
20 body, OR THE GOVERNING BODY'S DESIGNEE, may provide the director with a
21 recommendation, either in favor of or against the acquisition of control,
22 within sixty days after the director mails the notice, but section 4-201
23 does not apply to the acquisition of control provided for in this section.
24 A local governing body may charge not more than one fee, regardless of the
25 number of licenses held by the applicant, for review of one or more
26 applications for acquisition of control submitted to the department at the
27 same time and for the same entity. Within one hundred five days after
28 filing THE notice of the acquisition of control, the director shall
29 determine whether the applicant is qualified, capable and reliable for
30 licensure. A recommendation by the local governing body, OR THE GOVERNING
31 BODY'S DESIGNEE, against the acquisition of control or denial by the
32 director shall be set for a hearing before the board. The person who has
33 acquired control of a license or licensee has the burden of an original
34 application at the hearing, and the board shall make its determination
35 pursuant to section 4-202 and this section with respect to capability,
36 reliability and qualification.

37 G. A licensee who holds a license in nonuse status for more than
38 five months shall be required to pay a one hundred dollar surcharge for
39 each month thereafter. The surcharge shall be paid at the time the
40 license is returned to active status. A license automatically reverts to
41 the state after being held in continuous nonuse ~~in excess of~~ FOR MORE THAN
42 thirty-six months. The director may waive the surcharge and may extend
43 the time period provided in this subsection for good cause if the licensee
44 files a written request for an extension of time to place the license in
45 active status before the date of the automatic reversion. A license shall

1 not be deemed to have gone into active status if the license is
2 transferred to a location that at the time of or immediately before the
3 transfer had an active license of the same type, unless the licenses are
4 under common ownership or control.

5 H. A restructuring of a licensee's business is ~~neither~~ NOT an
6 acquisition of control, ~~nor~~ a transfer of a spirituous liquor license ~~nor~~
7 OR the issuance of a new spirituous liquor license if both of the
8 following apply:

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

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

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

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

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

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

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

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

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

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

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

14 Sec. 7. Section 4-203.02, Arizona Revised Statutes, is amended to
15 read:

16 4-203.02. Special event license; rules

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

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

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

25 B. Before the director may issue a temporary special event license,
26 a special event that is to occur at an otherwise unlicensed location or by
27 a licensee at a location that is not fully within the licensee's existing
28 licensed premises must be approved by the board of supervisors of a
29 county, OR THE BOARD'S DESIGNEE, if the event is to be held in an
30 unincorporated area or by the governing body of the city or town, OR THE
31 GOVERNING BODY'S DESIGNEE, if the event is to be held in a city or town.
32 A DENIAL BY THE COUNTY, CITY OR TOWN MUST BE FORWARDED TO THE DIRECTOR
33 WITHIN SIXTY DAYS AFTER THE SUBMISSION OF AN APPLICATION TO THE COUNTY,
34 CITY OR TOWN, UNLESS THE APPLICANT HAS REQUESTED MORE TIME FOR
35 CONSIDERATION OF THE APPLICATION.

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

39 D. A physical location, other than a physical location that is
40 owned, operated, leased, managed or controlled by the United States, this
41 state or a city, town or county of this state, that is not licensed
42 pursuant to this title may not be issued more than a total of thirty days
43 of special event licenses during the same calendar year. All applications
44 for a special event license issued pursuant to this section must be

1 submitted to the department at least ten days before the scheduled event.
2 The director may waive the ten-day requirement for good cause shown.

3 E. The director may only issue the special event license to a
4 GOVERNMENT ENTITY OR A political party or campaign committee supporting a
5 candidate for public office or a ballot measure, or a nonprofit entity
6 that is organized as a nonprofit ~~corporation, limited liability company,~~
7 ~~trust or other~~ entity in this state or pursuant to the laws of another
8 state AND that is ~~eligible for designation as~~ a nonprofit entity under
9 section 501(c) of the internal revenue code of the United States. The
10 nonprofit entity shall demonstrate that it is in good standing in this
11 state. An applicant for a special event license may ~~agree~~ CONTRACT with a
12 special event contractor ~~to assist the applicant~~ FOR ASSISTANCE in selling
13 and serving spirituous liquor at the special event. The special event
14 contractor shall be listed on the application form. The director shall
15 require a special event contractor to provide THE controlling persons'
16 identification and background information deemed necessary to identify the
17 special event contractor and to demonstrate proof of the contractor's
18 authority to conduct business in this state, including providing copies of
19 any required state or local business licenses or permits. The department
20 shall maintain a list of special event contractors that have been employed
21 by special event licensees during the past year and that are not otherwise
22 in penalty status pursuant to subsection H OF THIS SECTION. A licensee
23 holding a currently active series 6, 7, 11 or 12 license may serve as the
24 special event contractor for a special event license without any
25 additional requirements. A new applicant for an initial special event
26 license may be required by the department to demonstrate it is qualified,
27 capable and reliable to conduct a special event. The department may
28 require new special event contractors and new special event licensees to
29 require persons who serve or sell spirituous liquor to patrons at the
30 special event to complete an approved training course in accordance with
31 section 4-112, subsection G, paragraph 2. A special event contractor
32 ~~shall be~~ IS subject to ~~the provisions of~~ EXAMINATIONS CONDUCTED PURSUANT
33 TO section 4-112, subsection G, paragraph 1.

34 F. The director may issue a special event license concurrently with
35 a wine festival license and a craft distillery festival license and may
36 approve the location of the wine festival license within an excluded area
37 of a special event license specifically described in each license.
38 Notwithstanding section 4-244, paragraphs 13 and 19, both licenses shall
39 permit the presence of purchased spirituous liquor in the possession of
40 the purchaser.

41 G. For the purposes of this section, a special event licensee or an
42 employee of a special event licensee and a special event contractor or an
43 employee of a special event contractor that has been retained for an
44 approved special event, may order or purchase spirituous liquor from the
45 holder of a license authorized to sell off-sale or a licensed wholesaler.

1 ~~In the case of~~ IF a nonprofit entity ~~that~~ has obtained a special event
2 license for the purpose of charitable fund-raising activities, the
3 nonprofit entity or special event contractor may receive the spirituous
4 liquor from a wholesaler, farm winery, microbrewery or producer as a
5 donation, except that a licensee licensed pursuant to subsection A,
6 paragraph 2 of this section may receive spirituous liquor from a donor
7 when the donor receives no remuneration or payment of any kind, directly
8 or indirectly, other than any tax benefits that might result. Spirituous
9 liquor may be dispensed and served at the special event only by the
10 following persons:

11 1. The special event licensee or an employee of the special event
12 licensee, unless the special event is at the premises of a licensed
13 retailer and the licensed retailer has agreed to dispense and serve the
14 spirituous liquor.

15 2. The special event contractor or an employee of the special event
16 contractor, unless the special event is at the premises of a licensed
17 retailer and the licensed retailer has agreed to dispense and serve the
18 spirituous liquor.

19 3. The producer or producers who furnished the spirituous liquor.

20 4. The wholesaler or wholesalers who furnished the spirituous
21 liquor.

22 H. In addition to all other actions that may be taken by the
23 director for A violation of this title or the ~~regulations issued~~ RULES
24 ADOPTED pursuant to this title by the special event licensee or special
25 event contractor, the department may limit the right of the licensee to
26 obtain a special event license for a period of up to one year or may limit
27 the right of the special event contractor to support any licensed special
28 event for a period OF up to one year. Any penalty issued pursuant to this
29 subsection may be appealed to the ~~department~~ BOARD pursuant to section
30 4-210.02 as if the order was a sanction against a licensee. An
31 organization that is issued a license pursuant to subsection A,
32 paragraph 2 of this section shall receive at least seventy-five percent of
33 the gross receipts of the auction. Up to twenty-five percent of the gross
34 receipts of a special event auction conducted pursuant to subsection A,
35 paragraph 2 of this section may be used to pay reasonable and necessary
36 expenses incurred in connection with the auction. All expenses shall be
37 supported by written contracts, invoices or receipts, which shall be made
38 available to the director on request. AN ORGANIZATION THAT IS ISSUED A
39 LICENSE PURSUANT TO SUBSECTION A, PARAGRAPH 2 OF THIS SECTION SHALL NOT
40 SELL AT AUCTION MORE THAN TWENTY TWELVE-BOTTLE CASES OF SPIRITUOUS LIQUOR
41 ANNUALLY UNDER A SPECIAL EVENT LICENSE.

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

1 organization issued a license pursuant to subsection A, paragraph 1 of
2 this section must receive at least twenty-five percent of the gross
3 revenues of all spirituous liquor sold at the special events, which shall
4 be supported by a contract between the parties to be supplied at the time
5 of application.

6 J. At an event conducted UNDER A LICENSE ISSUED pursuant to
7 subsection A, ~~paragraph 1 or 2~~ of this section, the licensee may conduct a
8 wine pull or distilled spirits pull of up to ~~fifty bottles~~ TWENTY
9 TWELVE-BOTTLE CASES of wine ~~or~~ AND UP TO TEN TWELVE-BOTTLE CASES OF
10 distilled spirits PER DAY OF A LICENSED SPECIAL EVENT NOT TO EXCEED FIVE
11 DAYS PER YEAR. THE SPECIAL EVENT LICENSEE SHALL BE RESPONSIBLE FOR
12 COMPLIANCE WITH THE CASE LIMITS IN THIS SECTION. An organization that is
13 issued a license pursuant to subsection A, paragraph 2 of this section
14 shall not sell more than twenty cases of spirituous liquor annually under
15 a special event license. For the purposes of this subsection, ~~a~~ "wine
16 pull" or "distilled spirits pull" means an activity where, for a set
17 price, one or more attendees at a special event pay for the opportunity to
18 select at the event one or more bottles of wine or distilled spirits where
19 the variety and vintage are undisclosed.

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

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

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

35 N. The holder of a license authorized to sell off-sale or a
36 licensed wholesaler may leave purchased spirituous liquor products at a
37 special event if the products are properly described on a preliminary
38 billing invoice that is issued in the name of the special event licensee.
39 The holder of a license authorized to sell off-sale or the licensed
40 wholesaler has up to five business days after the special event ends to
41 make any necessary billing adjustments and issue a final billing invoice
42 to the special event licensee. Within one business day after the
43 conclusion of the special event, the special event licensee or a special
44 event contractor shall return unbroken packages of spirituous liquor to
45 the appropriate off-sale licensee or wholesaler subject to the applicable

1 rules of the United States alcohol and tobacco tax and trade bureau and
2 the policy of the applicable off-sale licensee or wholesaler.

3 0. The director may adopt rules deemed necessary to implement and
4 administer this section for special event contractors.

5 Sec. 8. Section 4-203.03, Arizona Revised Statutes, is amended to
6 read:

7 4-203.03. Farm winery festival license; farm winery fair
8 license; fee

9 A. ~~The director, subject to the approval of the board of~~
10 ~~supervisors for events to be held in an unincorporated area or the~~
11 ~~governing body of a city or town for events to be held in a city or town,~~
12 ~~may issue up to fifty wine festival licenses for each calendar year for~~
13 ~~each licensed farm winery, for up to a total of one hundred fifty calendar~~
14 ~~days per winery, authorizing sampling of farm winery products on the wine~~
15 ~~festival premises, the sale of the products for consumption on the wine~~
16 ~~festival premises and the sale of the products in original containers for~~
17 ~~consumption off the wine festival premises. The fee for a farm winery~~
18 ~~wine festival license is fifteen dollars per day for each event.~~

19 ~~B. Any farm winery may apply for a wine festival license pursuant~~
20 ~~to this section.~~

21 ~~C. With the permission of the fair organizers, any farm winery is~~
22 ~~authorized to allow sampling of farm winery products on the fair premises,~~
23 ~~the sale of the products for consumption on the fair premises and the sale~~
24 ~~of the products in original containers for consumption off of the fair~~
25 ~~premises at any sanctioned county or state fair. The fee for a farm~~
26 ~~winery fair license is fifteen dollars per day for each event. ON A~~
27 ~~TEMPORARY BASIS A FARM WINERY FESTIVAL LICENSE THAT AUTHORIZES:~~

28 1. THE SAMPLING OF THE FARM WINERY PRODUCTS ON THE FARM WINERY
29 FESTIVAL PREMISES.

30 2. THE SALE OF PRODUCTS FOR CONSUMPTION ON THE FARM WINERY FESTIVAL
31 PREMISES.

32 3. THE SALE OF PRODUCTS IN THE ORIGINAL CONTAINER FOR CONSUMPTION
33 OFF THE FARM WINERY FESTIVAL PREMISES.

34 B. BEFORE THE DIRECTOR MAY ISSUE A FARM WINERY FESTIVAL LICENSE, A
35 FARM WINERY FESTIVAL THAT IS TO OCCUR AT AN OTHERWISE UNLICENSED LOCATION
36 OR AT A LOCATION THAT IS NOT FULLY WITHIN THE LICENSEE'S EXISTING LICENSED
37 PREMISES MUST BE APPROVED BY THE COUNTY BOARD OF SUPERVISORS, OR THE
38 BOARD'S DESIGNEE, IF THE EVENT IS TO BE HELD IN AN UNINCORPORATED AREA OR
39 BY THE GOVERNING BODY OF THE CITY OR TOWN, OR THE GOVERNING BODY'S
40 DESIGNEE, IF THE EVENT IS TO BE HELD IN A CITY OR TOWN. A DENIAL BY THE
41 COUNTY, CITY OR TOWN MUST BE FORWARDED TO THE DIRECTOR WITHIN SIXTY DAYS
42 AFTER THE SUBMISSION OF AN APPLICATION TO THE COUNTY, CITY OR TOWN, UNLESS
43 THE APPLICANT HAS REQUESTED MORE TIME FOR CONSIDERATION OF THE
44 APPLICATION.

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

4 D. THE DIRECTOR MAY ISSUE ONE OR MORE FARM WINERY FESTIVAL LICENSES
5 FOR EACH FARM WINERY LICENSED PURSUANT TO THIS TITLE, FOR A TOTAL OF UP TO
6 ONE HUNDRED FIFTY CALENDAR DAYS FOR EACH FARM WINERY. THE DIRECTOR MAY
7 ESTABLISH A FEE FOR EACH DAY OF EACH EVENT FOR A FARM WINERY FESTIVAL
8 LICENSE.

9 E. ANY FARM WINERY MAY APPLY FOR A FARM WINERY FESTIVAL LICENSE
10 PURSUANT TO THIS SECTION.

11 F. A REPRESENTATIVE OF THE LICENSED FARM WINERY MAY CONSUME SMALL
12 AMOUNTS OF THE PRODUCTS OF THE LICENSED FARM WINERY ON THE FESTIVAL
13 PREMISES FOR THE PURPOSE OF QUALITY CONTROL. THE WINE MAY INCLUDE WINE
14 PRODUCED PURSUANT TO SECTION 4-205.04, SUBSECTIONS D AND E.

15 G. THE DIRECTOR MAY ISSUE A FARM WINERY FAIR LICENSE WITH THE
16 PERMISSION OF STATE FAIR ORGANIZERS OR COUNTY FAIR ORGANIZERS, ANY FARM
17 WINERY MAY ALLOW THE SAMPLING OF FARM WINERY PRODUCTS ON THE FAIR
18 PREMISES, THE SALE OF THE PRODUCTS FOR CONSUMPTION ON THE FAIR PREMISES
19 AND THE SALE OF THE PRODUCTS IN ORIGINAL CONTAINERS FOR CONSUMPTION OFF OF
20 THE FAIR PREMISES AT ANY SANCTIONED STATE FAIR OR COUNTY FAIR. THE
21 DIRECTOR MAY ESTABLISH A PER-DAY FEE FOR EACH EVENT FOR A FARM WINERY FAIR
22 LICENSE.

23 ~~H.~~ H. Section 4-201 does not apply to the licenses provided for
24 under this section.

25 Sec. 9. Section 4-205, Arizona Revised Statutes, is amended to
26 read:

27 4-205. Issuance of club license; regulatory provisions;
28 revocation

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

31 B. The holder of a club license is authorized to sell and serve
32 alcoholic beverages for consumption only within the licensed establishment
33 owned, leased or occupied by the club, and only to bona fide members of
34 the club, and to serve and sell to members' bona fide guests. Attendance
35 at private clubs is limited to enrolled members of the club and their
36 spouses, families and bona fide guests. Admitted nonmember guests shall
37 not exceed more than fifty percent of attendance during any month. This
38 provision shall not limit the ability of a member or the club to host
39 wedding receptions, group meetings, civic ASSOCIATION meetings, scheduled
40 social functions, including bingo games, and other member or club hosted
41 functions where individuals are not admitted on the basis of being a guest
42 of a member of the club and attendance at the event shall not be
43 considered in computing the fifty percent requirement. MEMBER RECRUITMENT
44 events that are hosted by the club or other members where individuals are
45 not admitted on the basis of being a guest of a member of the club OR NOT

1 IN ATTENDANCE AT OTHER SPECIFIED EVENTS AUTHORIZED IN THIS SECTION shall
2 be limited to not more than twelve events in a calendar year for each
3 club.

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

13 D. The director may revoke a club license issued pursuant to this
14 section ~~in any case in which~~ IF the licensee ceases to operate as a bona
15 fide club as defined in section 4-101.

16 E. ~~No~~ A club may NOT hold a spirituous liquor license other than
17 one issued pursuant to this section, except that any club that on January
18 1, 1975 holds a spirituous liquor license other than one issued pursuant
19 to this section may use ~~such~~ THE license until such time as the license is
20 revoked or reverted.

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

23 4-205.04. Farm winery license; issuance; regulatory
24 provisions; retail site; fee

25 A. The director may issue a farm winery license to any person who
26 meets the requirements of subsection C of this section. Each location
27 that engages in producing or manufacturing these products must obtain a
28 separate farm winery license. The licensee may not transfer the farm
29 winery license from person to person or from location to location.

30 B. An applicant for a farm winery license, at the time of filing
31 the application for the license, shall accompany the application with the
32 license fee. Persons holding a farm winery license shall report annually
33 at the end of each calendar year, at ~~such~~ THE time and in ~~such~~ THE manner
34 as the director ~~may prescribe~~ PRESCRIBES, the amount of wine produced or
35 manufactured by them during the calendar year. In addition to any
36 provision of this title, if the total amount of wine produced or
37 manufactured during the year exceeds the amount permitted annually by the
38 license, the licensee shall apply for and receive a producer's license
39 only on surrender of the farm winery license or licenses.

40 C. A person may be licensed as a farm winery to sell wine produced
41 or manufactured if in a calendar year it produces at least two hundred
42 gallons and not more than forty thousand gallons of wine and if the winery
43 either holds a winery permit issued by the United States alcohol and
44 tobacco tax and trade bureau or has a contract pursuant to subsection E of
45 this section for the production or manufacturing of wine from grapes or

1 other fruit grown on at least five producing acres of land owned or
2 controlled by the applicant and the land has been devoted to fruit growing
3 for at least three consecutive calendar years. A licensed farm winery may
4 make sales and deliveries of wine only as specifically provided in this
5 section and as follows:

6 1. A licensed farm winery may make sales and deliveries of wine to
7 wholesalers licensed to sell wine under this title.

8 2. A licensed farm winery may serve wine produced or manufactured
9 on the premises for the purpose of sampling the wine. The wine may
10 include wine produced pursuant to subsections D and E of this section.

11 3. A representative of the licensed farm winery may consume small
12 amounts of the products of the licensed farm winery on the premises for
13 the purpose of sampling the wine. The wine may include wine produced
14 pursuant to subsections D and E of this section.

15 4. A licensed farm winery may sell to a consumer physically present
16 on the premises wine produced or manufactured on the premises in the
17 original container for consumption on or off the premises. The wine may
18 include wine produced pursuant to subsections D and E of this section.

19 5. A licensed farm winery may purchase and sell wine produced,
20 **PACKAGED AND LABELED** by another licensed farm winery for **SAMPLING AND**
21 consumption on or off the premises only if the retail sale is to a
22 consumer physically present on the premises of the farm winery, except
23 that the sales of wine produced, **PACKAGED AND LABELED** by another winery
24 may not exceed twenty percent of the farm winery's sales by volume. The
25 percentage limitation shall not apply to wine produced pursuant to
26 subsections D and E of this section.

27 6. If the licensed farm winery is not otherwise engaged in the
28 business of a distiller, vintner, brewer, rectifier, blender or other
29 producer of spirituous liquor in any jurisdiction, the licensed farm
30 winery may hold licenses prescribed in section 4-209, subsection B,
31 paragraph 12 on the licensed farm winery premises or other retail
32 premises. Except as provided in paragraph 5 of this subsection, the
33 licensed farm winery shall purchase all other spirituous liquor for sale
34 at the on-sale retail premises from wholesalers that are licensed in this
35 state, except that a licensed farm winery may:

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

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

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

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

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

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

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

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

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

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

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

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

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

27 D. On application by one or more persons, the director may approve
28 applications for grouping two or more farm winery licenses at one location
29 under a plan of alternating proprietorships if a licensed winery has
30 received approval of the alternating proprietorship by the United States
31 alcohol and tobacco tax and trade bureau and the participating wineries
32 operate under the regulations and guidelines that are issued by the United
33 States alcohol and tobacco tax and trade bureau. Each participating
34 winery ~~shall be~~ IS responsible for filing all reports that relate to its
35 wine production or manufacturing with the United States alcohol and
36 tobacco tax and trade bureau and the department.

37 E. A person otherwise qualified to receive a farm winery license
38 may enter into a custom crush arrangement where a licensed winery produces
39 or manufactures wine from grapes or other fruit supplied by the person.
40 The winery receiving the fruit shall be licensed by the United States
41 alcohol and tobacco tax and trade bureau and the department and ~~shall be~~
42 IS responsible for filing all reports that relate to its wine production
43 or manufacturing with the United States alcohol and tobacco tax and trade
44 bureau and the department. Each person supplying the grapes or other
45 fruit shall first apply for and receive a farm winery license and shall

1 report to the department all volumes of wine from its custom crush
2 arrangements, which shall not be allocated to the gallonage of the
3 receiving farm winery if the supplying farm winery has an active basic
4 permit issued by the United States alcohol and tobacco tax and trade
5 bureau.

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

9 1. The wine sold at the premises is limited to wine produced or
10 manufactured by the licensed farm winery and wines produced or
11 manufactured by other licensed farm wineries, including wines produced or
12 manufactured pursuant to subsections D and E of this section. The farm
13 winery may sell wine to a consumer physically present on the premises for
14 consumption on or off the premises. Sales of wines not produced or
15 manufactured by the farm winery ~~shall be~~ ARE limited to no more than
16 twenty percent of the total sales by volume at that location. The
17 percentage limitation shall not apply to wine produced pursuant to
18 subsections D and E of this section.

19 2. The farm winery licensee:

20 (a) Remains responsible for the premises.

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

25 (c) Does not sublease the premises.

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

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

30 3. THE FARM WINERY LICENSEE THAT OPERATES PRIMARILY AS A REMOTE
31 TASTING ROOM PREMISES MAY EXCHANGE THE FARM WINERY LICENSE FOR A REMOTE
32 TASTING ROOM LICENSE WITHOUT AN ADDITIONAL FEE, NOT LATER THAN DECEMBER
33 31, 2018. THE NEW REMOTE TASTING ROOM LICENSE MUST BE CONNECTED TO A FARM
34 WINERY LICENSE, WITH COMMON OWNERSHIP, THAT COMPLIES WITH ALL REQUIREMENTS
35 FOR A FARM WINERY LICENSE PURSUANT TO SUBSECTIONS C AND F OF THIS SECTION.

36 G. A farm winery licensee may hold a craft distiller license issued
37 pursuant to section 4-205.10. The farm winery and craft distiller
38 licensee may only produce distilled spirits up to a gallonage of one
39 thousand gallons in a calendar year from fruit processed at the winery for
40 the primary purpose of making wine. The farm winery and craft distiller
41 licensee is subject to all other requirements of this section and section
42 4-205.10. The farm winery may provide sampling and sales of the distilled
43 spirits pursuant to section 4-205.10, subsection C, paragraphs 2 and 3 on
44 the same premises as the wine sampling and retail sales.

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

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

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

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

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

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

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

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

25 4-205.08. Microbrewery license; issuance; regulatory
26 provisions; retail site

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

32 B. An applicant for a microbrewery license, at the time of filing
33 the application for the license, shall accompany the application with the
34 license fee. Persons holding a microbrewery license shall report annually
35 at the end of each calendar year, at ~~such~~ THE time and in ~~such~~ THE manner
36 as the director ~~may prescribe~~ PRESCRIBES, the amount of beer produced or
37 manufactured by them during the calendar year and the amount delivered
38 pursuant to subsection D, paragraph 4, subdivision (b) of this section.
39 If the total amount of beer that is produced or manufactured during the
40 calendar year exceeds the amount permitted annually by the license, the
41 licensee shall apply for and receive a producer's license only on
42 surrender of the microbrewery license or licenses and shall have no
43 continuing rights as a microbrewery under this section. On the surrender
44 of the microbrewery license or licenses, the licensee shall transfer,

1 surrender or otherwise relinquish control of all of its retail licenses
2 located remotely from a microbrewery.

3 C. Notwithstanding any other law, a licensed microbrewery may:

4 1. Sell beer produced or manufactured on the premises for
5 consumption on or off the premises.

6 2. Make sales and deliveries of beer that the microbrewery produces
7 or manufactures to persons licensed to sell beer under this title through
8 wholesalers licensed under this title or as provided in subsection D,
9 paragraph ~~5~~ 4, subdivision (a) or (b) of this section.

10 3. Make sales and deliveries of beer that the microbrewery produces
11 or manufactures to persons licensed to sell beer in another state if
12 lawful under the laws of that state.

13 4. Serve beer produced or manufactured on the premises for the
14 purpose of sampling the beer.

15 5. Sell beer produced or manufactured by other microbreweries for
16 consumption only on the premises of the licensee, except that the sales
17 percentage of beer from other microbreweries may not exceed twenty percent
18 of the licensee's annual sales of beer by volume at the premises. If the
19 other microbrewery has established a distribution relationship with one or
20 more wholesalers who are licensed under this title, the beer shall be
21 purchased through those wholesalers.

22 6. MAINTAIN AT NO CHARGE A TAPPING EQUIPMENT SYSTEM OF A LICENSED
23 RETAILER WHEN THE MICROBREWERY SELLS BEER AS PROVIDED IN SUBSECTION D,
24 PARAGRAPHS 3 AND 4 OF THIS SECTION, INCLUDING CLEANING THE TAPPING
25 EQUIPMENT SYSTEM AND REPLACING BONNET WASHERS, FRICTION RINGS, VALVE
26 STEMS, HARDWARE, UNIONS, CLAMPS, AIR TEES, SCREWS, TAPPING DEVICES, TOWER
27 HEADS AND SINGLE AIR AND BEER LINES.

28 D. A licensed microbrewery is subject to all of the following
29 requirements:

30 1. The microbrewery shall produce or manufacture not less than five
31 thousand gallons of beer in each calendar year following the first year of
32 operation.

33 2. The microbrewery shall not produce or manufacture more than six
34 million two hundred thousand gallons of beer in a calendar year.

35 3. If retail operations are conducted in conjunction with the
36 microbrewery, the microbrewery may sell other spirituous liquor products
37 if the microbrewery holds an on-sale retail license for a bar, beer and
38 wine bar, or restaurant. The microbrewery may be issued up to a combined
39 total of seven retail licenses in this state whether THE PREMISES ARE
40 located on or adjacent to a microbrewery or remotely from a microbrewery.
41 The limit on the number of retail licenses applies on an aggregated basis
42 to all microbreweries that are under common control of any person with
43 control of the microbrewery.

44 4. The microbrewery may make sales and deliveries of beer that it
45 has produced or manufactured to both:

1 (a) Retail licensees that meet the requirements prescribed in
2 paragraph 3 of this subsection in any amount.

3 (b) Any other retail licensee in a cumulative amount not to exceed
4 ninety-three thousand gallons in total for all licensed retailers in any
5 calendar year.

6 E. A microbrewery that produces or manufactures more than one
7 million two hundred forty thousand gallons of beer in a calendar year
8 maintains all of the rights associated with a microbrewery license, ~~with~~
9 ~~the exception~~ EXCEPT that ~~it~~ THE MICROBREWERY shall not:

10 1. Apply for or receive a retail license pursuant to subsection D,
11 paragraph 3 of this section FOR PREMISES that ~~is~~ ARE located remotely from
12 the microbrewery.

13 2. Make sales or deliveries of beer that ~~it~~ THE MICROBREWERY has
14 produced or manufactured to any retail ~~license~~ LICENSEE as provided in
15 subsection D, paragraph 4 of this section, except for ~~its~~ THE
16 MICROBREWERY'S retail ~~licenses~~ LICENSEES on or adjacent to the
17 microbrewery.

18 F. The gallonage amounts prescribed in subsection D, paragraph 2
19 and subsection E of this section apply to the aggregate manufacture or
20 production of all microbreweries that are under common control of any
21 person with control of the microbrewery.

22 G. A microbrewery that is otherwise engaged as a distiller,
23 vintner, brewer, rectifier, blender or other producer of spirituous liquor
24 in any jurisdiction is prohibited from holding any retail license that is
25 located remotely from a microbrewery.

26 H. A microbrewery that sells or delivers beer pursuant to this
27 section shall:

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

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

32 I. A delivery of beer by a microbrewery to a purchaser in this
33 state is a transaction deemed to have occurred in this state.

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

36 Sec. 12. Section 4-205.10, Arizona Revised Statutes, is amended to
37 read:

38 4-205.10. Craft distiller license; issuance; regulatory
39 provisions; fee

40 A. The director may issue a craft distiller license to any person
41 that meets the requirements of subsection C of this section. Each
42 location that engages in producing and bottling these products must obtain
43 a separate craft distiller license. The licensee may not transfer the
44 craft distiller license from person to person or from location to location
45 and may not also hold a producer's license. The licensee and all commonly

1 controlled craft distiller licensees may not manufacture or produce more
2 than twenty thousand gallons of distilled spirits in a calendar year. For
3 the purposes of this section, annual gallonage shall be the total proof
4 gallons of finished distilled product available for wholesale or retail
5 sale as defined by 26 United States Code section 5002 and rules adopted
6 pursuant to this section or its successor.

7 B. Persons holding a craft distiller license shall report annually
8 at the end of each calendar year, at ~~such~~ THE time and in ~~such~~ THE manner
9 as the director ~~may prescribe~~ PRESCRIBES, the amount of distilled spirits
10 that is produced or manufactured by that licensee during the calendar
11 year. In addition to any other provision of this title, if the total
12 amount of distilled spirits that is produced or manufactured during the
13 year exceeds the amount that is permitted annually by the license, the
14 licensee shall apply for and, on qualification, receive a producer's
15 license only on the surrender of the craft distiller license and shall
16 have no continuing rights as a craft distiller licensee under this
17 section.

18 C. A person may be licensed as a craft distiller to sell distilled
19 spirits that are produced or manufactured by the person if in a calendar
20 year the person produces or manufactures not more than twenty thousand
21 gallons of distilled spirits and may make sales and deliveries of
22 distilled spirits only as specified in this section and subject to the
23 following criteria:

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

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

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

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

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

1 (b) Make deliveries of the distilled spirits that the craft
2 distiller manufactures or produces to any commonly controlled retail
3 licensed premises ~~that are located on or adjacent to the craft distiller~~
4 ~~premises~~ or to the craft distiller's remote tasting rooms and that are
5 authorized pursuant to this paragraph.

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

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

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

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

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

26 (c) The distilled spirits are for personal use only and not for
27 resale.

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

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

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

34 (g) The craft distiller collects payment for the price of the
35 spirituous liquor no later than at the time of delivery.

36 D. On application by a craft distiller licensee, the director may
37 authorize a craft distiller licensee to operate two other remote tasting
38 and retail premises if:

39 1. The distilled spirits sold at the premises are limited to
40 distilled spirits produced or manufactured by the licensed craft
41 distillery and distilled spirits produced or manufactured by another
42 licensed craft distillery. The craft distillery may sell to a consumer
43 physically present on the premises distilled spirits produced by the craft
44 distillery or by other licensed craft distilleries in the original
45 container for consumption on or off the premises. The sales of the

1 distilled spirits produced or manufactured by other craft distilleries
2 shall not exceed twenty percent of the craft distillery's total sales by
3 volume.

4 2. The craft distiller licensee:

5 (a) Remains responsible for the premises.

6 (b) Obtains approval for the premises from the local governing body
7 before submitting an application to the department. A copy of an order
8 from the local governing body recommending approval of the premises must
9 be filed with the department as part of the application.

10 (c) Does not sublease the premises.

11 (d) Has an agent who ~~shall be~~ IS a natural person who meets the
12 qualifications of licensure in this state.

13 (e) Meets the qualifications for a license pursuant to section
14 4-203, subsection A.

15 (f) For a tasting room with a shared patio, meets the requirements
16 prescribed in section 4-205.12.

17 E. The craft distiller is liable for any violation that is
18 committed in connection with any sale or delivery of the distilled
19 spirits. The rules adopted by the director pursuant to section 4-203,
20 subsection J apply to the delivery of distilled spirits under subsection C
21 of this section. An act or omission of any person who makes a sale or
22 delivery of distilled spirits for a licensee under subsection C of this
23 section is deemed to be an act or omission of the licensee for the
24 purposes of section 4-210, subsection A, paragraph 9.

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

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

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

31 G. A delivery of distilled spirits by a craft distiller to a
32 purchaser in this state is a transaction deemed to have occurred in this
33 state.

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

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

38 J. The director may issue a craft distiller license to be located
39 on the same parcel of land as a farm winery licensed pursuant to section
40 4-205.04.

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

3 4-205.11. Craft distillery festival license; craft distillery
4 fair license; craft distillery fee

5 A. The director may issue on a temporary basis a craft distillery
6 festival license that authorizes:

7 1. The sampling of the craft distillery products on the craft
8 distillery festival premises.

9 2. The sale of products for consumption on the craft distillery
10 festival premises.

11 3. The sale of products in the original container for consumption
12 off the craft distillery festival premises.

13 B. Before the director may issue a craft distillery festival
14 license, a craft distillery festival that is to occur at an otherwise
15 unlicensed location or at a location that is not fully within the
16 licensee's existing licensed premises must be approved by the board of
17 supervisors of the county, OR THE BOARD'S DESIGNEE, if the event is to be
18 held in an unincorporated area or by the governing body of the city or
19 town, OR THE GOVERNING BODY'S DESIGNEE, if the event is to be held in a
20 city or town. A DENIAL BY THE COUNTY, CITY OR TOWN MUST BE FORWARDED TO
21 THE DIRECTOR WITHIN SIXTY DAYS AFTER THE SUBMISSION OF AN APPLICATION TO
22 THE COUNTY, CITY OR TOWN, UNLESS THE APPLICANT HAS REQUESTED MORE TIME FOR
23 CONSIDERATION OF THE APPLICATION.

24 C. The approval process prescribed in this section does not apply
25 to physical locations that are fully located within a premises that is
26 licensed pursuant to this title.

27 D. The director may issue one or more craft distillery festival
28 licenses for each craft distillery licensed pursuant to this title, for a
29 total of up to one hundred fifty calendar days per craft distillery. The
30 director may establish a fee for each day of each event for a craft
31 distillery festival license.

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

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

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

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

3 4-206.01. Bar, beer and wine bar or liquor store licenses;
4 number permitted; fee; sampling privileges

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

8 B. In each county, the director, each year, shall issue additional
9 bar or liquor store licenses at the rate of one of each type for each
10 additional ten thousand person increase over the population in that county
11 as of July 1, 2010. ~~Any licenses that have~~ FOR EVERY LICENSE THAT HAS
12 been revoked or reverted in any county, THE DIRECTOR may ~~be reissued by~~
13 ~~the director~~ ISSUE A NEW LICENSE OF THE SAME SERIES in the SAME county, ~~of~~
14 ~~their issuance~~ EXCEPT THAT IF THERE ARE MORE THAN FIVE LICENSES OF A
15 PARTICULAR CLASS FOR WHICH NO OTHER LICENSES HAVE BEEN REISSUED, THE
16 DIRECTOR MAY NOT ISSUE MORE NEW LICENSES THAN TWENTY PERCENT OF THE TOTAL
17 OF THE REVOKED OR REVERTED LICENSES PER YEAR. The director may waive the
18 issuance of ~~any series of new, revoked or reverted~~ licenses in a county
19 for one year where there has been no request made to the department for
20 the issuance of a new license of that series. For the purposes of this
21 subsection, the population of a county is deemed to be the population
22 estimated by the office of economic opportunity as of July 1 of each year.

23 C. In each county, the director, each year, shall issue additional
24 beer and wine bar licenses at the rate of one for each additional five
25 thousand person increase over the population in that county ~~until January~~
26 ~~1, 2022~~ AS OF JULY 1, 2010. Beginning January 1, 2022, in each county,
27 the director, each year, shall issue additional beer and wine bar licenses
28 at the rate of one for each additional ten thousand person increase over
29 the population in that county AS OF JULY 1, 2010. ~~Any licenses that have~~
30 FOR EVERY LICENSE THAT HAS been revoked or reverted in any county, THE
31 DIRECTOR may ~~be reissued by the director~~ ISSUE A NEW LICENSE OF THE SAME
32 SERIES in the SAME county, ~~where the licenses were originally issued~~
33 EXCEPT THAT IF THERE ARE MORE THAN FIVE LICENSES OF A PARTICULAR CLASS FOR
34 WHICH NO OTHER LICENSES HAVE BEEN REISSUED, THE DIRECTOR MAY NOT ISSUE
35 MORE NEW LICENSES THAN TWENTY PERCENT OF THE TOTAL OF THE REVOKED OR
36 REVERTED LICENSES PER YEAR. The director may waive the issuance of ~~any~~
37 ~~series of new, revoked or reverted~~ licenses in a county for one year if
38 there has been no request made to the department for the issuance of a new
39 license of that series. For the purposes of this subsection, the
40 population of a county is deemed to be the population estimated as of July
41 1 of each year by the office of economic opportunity.

42 D. A person issued a license authorized by subsection B OR C of
43 this section shall pay an additional issuance fee equal to the license's
44 fair market value that shall be paid to the state general fund. AN
45 APPRAISAL SHALL BE CONDUCTED TO DETERMINE THE FAIR MARKET VALUE OF THAT

1 LICENSE TYPE IN A SPECIFIC COUNTY. The fair market value shall be defined
2 to mean the ~~mean~~ PRICE ARRIVED AT IN GOOD FAITH THAT A KNOWLEDGEABLE AND
3 WILLING BUYER WILL PAY AND SHALL BE COMPUTED BY DETERMINING THE AVERAGE
4 value, OR WEIGHTED AVERAGE VALUE IF THERE ARE TRENDS IN LICENSE PRICING IN
5 THAT COUNTY, of licenses of the same type, FREE OF ANY ENCUMBRANCES, sold
6 on the open market in the same county during the prior twelve months, but
7 if there are not three or more sales then the fair market value shall be
8 determined by two appraisals furnished to the department by independent
9 professional appraisers employed by the director. THE VALUATION METHOD
10 UNDER BOTH APPROACHES SHALL TAKE INTO ACCOUNT TRENDS IN THE VALUE OF
11 LICENSES OF THE SPECIFIC TYPE DURING THE PREVIOUS TWELVE MONTHS. A NEW
12 LICENSE AUTHORIZED PURSUANT TO SUBSECTION B OR C OF THIS SECTION MAY NOT
13 BE ISSUED TO A PERSON OR ENTITY THAT HAS HAD A SIMILAR LICENSE REVOKED OR
14 REVERTED UNLESS THE PERSON OR ENTITY PROVIDES THE DIRECTOR WITH
15 SATISFACTORY PROOF THAT ALL PREVIOUS LIENS ON THE REVOKED OR REVERTED
16 LICENSE HAVE BEEN SATISFIED IN FULL.

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

20 F. If more than one person applies for an available license, a
21 priority of applicants shall be determined by a random selection method
22 prescribed by the director, except that the number of times that a person
23 may enter the random selection process shall not exceed the number of
24 licenses of that series that are available for issuance. For the purposes
25 of this ~~section~~ SUBSECTION, a partnership, limited liability company,
26 association, company or corporation ~~shall be~~ IS considered the same person
27 if IT IS owned, managed, operated or controlled by the same controlling
28 person, as defined in section 4-101.

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

43 H. The director may issue a beer and wine store license to the
44 holder of a beer and wine bar license simultaneously at the same premises.
45 An applicant for a beer and wine bar license and a beer and wine store

1 license may consolidate the application and may apply for both licenses at
2 the same time. The holder of each license shall fully comply with ~~all~~
3 ~~applicable provisions of~~ this title. A beer and wine bar license and beer
4 and wine store license on the same premises shall be owned by and issued
5 to the same licensee.

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

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

28 K. An applicant for a liquor store license or a beer and wine store
29 license and the licensee of a liquor store license or a beer and wine
30 store license may apply for sampling privileges associated with the
31 license. Beer and wine store premises containing less than five thousand
32 square feet must dedicate at least seventy-five percent of retail shelf
33 space to the sale of spirituous liquor in order to be eligible for
34 sampling privileges. A person desiring a sampling privilege associated
35 with a liquor store license shall apply to the director on a form
36 prescribed and furnished by the director. The application for sampling
37 privileges may be filed for an existing license or may be submitted with
38 an initial license application. The request for sampling approval, the
39 review of the application and the issuance of approval shall be conducted
40 under the same procedures for the issuance of a spirituous liquor license
41 prescribed in section 4-201. After a sampling privilege has been issued
42 for a liquor store license or a beer and wine store license, the sampling
43 privilege shall be noted on the license itself and in the records of the
44 department. The sampling rights associated with a license are not
45 transferable. The director may charge a fee for processing each

1 application for sampling privileges and a renewal fee as provided in this
2 section. A city or town shall not charge any fee relating to the issuance
3 or renewal of a sampling privilege. Notwithstanding section 4-244,
4 paragraph 19, a liquor store licensee or a beer and wine store licensee
5 that holds a license with sampling privileges may provide spirituous
6 liquor sampling subject to the following requirements:

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

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

12 3. The licensed retailer shall make sales of sampled products from
13 the licensed retail premises.

14 4. The licensee shall not charge any customer for the sampling of
15 any products.

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

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

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

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

25 L. If a beer and wine bar license and a beer and wine store license
26 are issued at the same premises, for the purposes of reporting liquor
27 purchases under each license, all spirituous beverages purchased for
28 sampling are conclusively presumed to be purchased under the beer and wine
29 bar license and all spirituous liquor sold off-sale are conclusively
30 presumed to be purchased under the beer and wine store license.

31 M. The director may issue a beer and wine store license to the
32 holder of a bar license simultaneously at the same premises. An applicant
33 for a beer and wine store license and a bar license may consolidate the
34 application and may apply for both licenses at the same time. The holder
35 of each license shall fully comply with ~~all applicable provisions of~~ this
36 title. A beer and wine store license and a bar license on the same
37 premises shall be owned by and issued to the same licensee. If a beer and
38 wine store license and a bar license are issued at the same premises, for
39 purposes of reporting liquor purchases under each license, all off-sale
40 beer and wine sales are conclusively presumed to be purchased under the
41 beer and wine store license.

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

3 4-207. Restrictions on licensing premises near school or
4 church buildings; definitions

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

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

19 1. Restaurant issued a license pursuant to section 4-205.02,
20 subject to the limitations in section 4-205.02, subsection H, for a permit
21 allowing for the sale of beer for consumption off of the licensed premises
22 pursuant to section 4-244, paragraph 32, subdivision (c).

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

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

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

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

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

31 7. CRAFT DISTILLERY FESTIVAL LICENSE ISSUED PURSUANT TO SECTION
32 4-205.11.

33 8. FARM WINERY FESTIVAL LICENSE ISSUED PURSUANT TO SECTION
34 4-203.03.

35 C. Notwithstanding subsection A of this section:

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

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

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

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

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

1 D. For the purposes of this section:

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

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

15 Sec. 16. Section 4-210, Arizona Revised Statutes, is amended to
16 read:

17 4-210. Grounds for revocation, suspension and refusal to
18 renew; notice; complaints; hearings; defense

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

22 1. There occurs on the licensed premises repeated acts of violence
23 ~~or disorderly conduct.~~

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

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

32 4. The licensee or controlling person is on the premises habitually
33 intoxicated.

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

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

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

1 licensee, all invoices, records, bills or other papers and documents
2 relating to the purchase, sale and delivery of food.

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

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

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

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

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

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

32 14. There occurs on the licensed premises a serious act of violence.
33 For the purposes of this paragraph, "serious act of violence" means an
34 ~~incident consisting of a riot, a brawl or a disturbance~~ ACT OF VIOLENCE in
35 which a serious injury causes the death or critical injury of a person and
36 ~~such~~ THE injuries would be obvious to a reasonable person.

37 15. The licensee fails to report a serious act of violence that
38 occurs on the licensed premises. For the purposes of this paragraph,
39 "serious act of violence" means an ~~incident consisting of a riot, a brawl~~
40 ~~or a disturbance~~ ACT OF VIOLENCE in which a serious injury causes death or
41 critical injury of a person and ~~such~~ THE injuries would be obvious to a
42 reasonable person.

43 16. THE LICENSEE VIOLATES AN ORDER OF THE BOARD.

1 B. For the purposes of:

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

6 2. Subsection A, paragraphs 9 and 10 of this section, acts or
7 omissions of an employee of a licensee that violate ~~any provision of~~ this
8 title or rules adopted pursuant to this title ~~shall be~~ ARE deemed to be
9 acts or omissions of the licensee. Acts or omissions by an employee or
10 licensee committed during the time the licensed premises were operated
11 pursuant to an interim permit or without a license may be charged as if
12 they had been committed during the period the premises were duly licensed.

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

25 D. If the director finds, based on clear and convincing evidence in
26 the record, that a violation involves the use by the licensee of a
27 drive-through or walk-up service window or other physical feature of the
28 licensed premises that allows a customer to purchase spirituous liquor
29 without leaving the customer's vehicle or, with respect to a walk-up
30 service window that prevents the licensee from fully observing the
31 customer, and that the use of that drive-through or walk-up service window
32 or other physical feature caused the violation, the director may suspend
33 or terminate the licensee's use of the drive-through or walk-up service
34 window or other physical feature for the sale of spirituous liquor, in
35 addition to any other sanction.

36 E. The director may refuse to transfer any license or issue a new
37 license at the same location if the director has filed a complaint against
38 the license or location that has not been resolved alleging a violation of
39 any of the grounds ~~set forth~~ STATED in subsection A of this section until
40 the time the complaint has been finally adjudicated.

41 F. The director shall receive all complaints of alleged violations
42 of this chapter and is responsible for the investigation of all
43 allegations of a violation of, or noncompliance with, this title, any rule
44 adopted pursuant to this title or any condition imposed on the licensee by
45 the license. When the director receives three complaints from any law

1 enforcement agency resulting from three separate incidents at a licensed
2 establishment within a twelve-month period, the director shall transmit a
3 written report to the board setting forth the complaints, the results of
4 any investigation conducted by the law enforcement agency or the
5 department relating to the complaints and a history of all prior
6 complaints against the license and their disposition. The board shall
7 review the report and may direct the director to conduct further
8 investigation of a complaint or to serve a licensee with a complaint and
9 notice of a hearing pursuant to subsection G of this section.

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

36 H. A hearing shall conform to the requirements of title 41, chapter
37 6, article 10. At the hearing an attorney or corporate officer or
38 employee of a corporation may represent the corporation.

39 I. The expiration, cancellation, revocation, reversion, surrender,
40 acceptance of surrender or termination in any other manner of a license
41 does not prevent the initiation or completion of a disciplinary proceeding
42 pursuant to this section against the licensee or license. An order issued
43 pursuant to a disciplinary proceeding against a license is enforceable
44 against other licenses or subsequent licenses in which the licensee or
45 controlling person of the license has a controlling interest.

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

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

11 1. That the lienholder's interest is a bona fide security interest.
12 For the purposes of this paragraph, "bona fide security interest" means
13 the lienholder provides actual consideration to the licensee or the
14 licensee's predecessor in interest in exchange for the lienholder's
15 interest. Bona fide security interest includes a lien taken by the seller
16 of a license as security for the seller's receipt of all or part of the
17 purchase price of the license.

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

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

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

28 5. That the lienholder reasonably attempted to remain informed by
29 the licensee about the ~~business~~ BUSINESS'S conduct.

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

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

34 2. The lienholder to pay any civil monetary penalty imposed on the
35 licensee.

36 M. If any on-sale licensee proposes to provide large capacity
37 entertainment events or sporting events with an attendance capacity
38 exceeding a limit established by the director, the director may request a
39 security plan from the licensee that may include trained security
40 officers, lighting and other requirements. This subsection exclusively
41 prescribes the security requirements for a licensee and does not create
42 any civil liability for the state, its agencies, agents or employees or a
43 person licensed under this title or agents or employees of a licensee.

44 N. THE DIRECTOR MAY CONSIDER AS A MITIGATING FACTOR OR DEFENSE TO A
45 COMPLAINT AGAINST A LICENSEE FOR A VIOLATION OF SUBSECTION A, PARAGRAPH 10

1 OR 14 OF THIS SECTION THAT THE LICENSEE ACTED REASONABLY, RESPONSIBLY AND
2 AS EXPEDITIOUSLY AS POSSIBLE BY ASKING FOR INTERVENTION BY A PEACE OFFICER
3 TO PREVENT OR TO BREAK UP A RIOT, A FIGHT, AN ALTERCATION OR TUMULTUOUS
4 CONDUCT.

5 Sec. 17. Section 4-241, Arizona Revised Statutes, is amended to
6 read:

7 4-241. Selling or giving liquor to underage person; illegally
8 obtaining liquor by underage person; violation;
9 classification; definitions

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

17 1. Demand identification from the person.

18 2. Examine the identification to determine that the identification
19 reasonably appears to be a valid, unaltered identification that has not
20 been defaced.

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

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

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

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

1 employed during the particular visit to the licensed premises by the
2 person.

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

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

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

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

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

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

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

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

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

34 4. A photograph of the identification.

35 5. A digital copy of the identification.

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

42 K. The following written instruments are the only acceptable types
43 of identification:

44 1. An unexpired driver license issued by this state. A driver
45 license issued to a person who is under twenty-one years of age is no

1 longer an acceptable type of identification under this paragraph thirty
2 days after the person turns twenty-one years of age.

3 2. An unexpired driver license issued by any other state, the
4 District of Columbia, any territory of the United States or Canada if the
5 license includes a picture of the person and the person's date of birth.

6 3. An unexpired nonoperating identification license issued pursuant
7 to section 28-3165. An unexpired nonoperating license issued to a person
8 who is under twenty-one years of age is no longer an acceptable type of
9 identification under this paragraph thirty days after the person turns
10 twenty-one years of age.

11 4. A form of identification license issued by any other state, the
12 District of Columbia, any territory of the United States or Canada if the
13 license is substantially equivalent to a nonoperating identification
14 license issued pursuant to section 28-3165 and includes a picture of the
15 person and the person's date of birth.

16 5. An unexpired armed forces identification card that includes the
17 person's picture and date of birth.

18 6. A valid unexpired passport or a valid unexpired resident alien
19 card that contains a photograph of the person and the person's date of
20 birth.

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

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

29 N. A person who is under the legal drinking age and who uses a
30 fraudulent or false written instrument of identification or identification
31 of another person or uses a valid license or identification of another
32 person to gain access to a licensed establishment is guilty of a class 1
33 misdemeanor.

34 O. A person who uses a driver or nonoperating identification
35 license in violation of subsection L or N of this section is subject to
36 suspension of the driver or nonoperating identification license as
37 provided in section 28-3309. A person who does not have a valid driver or
38 nonoperating identification license and who uses a driver or nonoperating
39 identification license of another in violation of subsection ~~C or E~~ N of
40 this section has the person's right to apply for a driver or nonoperating
41 identification license suspended as provided by section 28-3309.

42 P. A person who knowingly influences the sale, giving or serving of
43 spirituous liquor to a person under the legal drinking age by
44 misrepresenting the age of such person or who orders, requests, receives
45 or procures spirituous liquor from any licensee, employee or other person

1 with the intent of selling, giving or serving it to a person under the
2 legal drinking age is guilty of a class 1 misdemeanor. A licensee or
3 employee of a licensee who has actual knowledge that a person is under the
4 legal drinking age and who admits the person into any portion of the
5 licensed premises in violation of section 4-244, paragraph 22 is in
6 violation of this subsection. In addition to other penalties provided by
7 law, a judge may suspend a driver license issued to or the driving
8 privilege of a person for not more than thirty days for a first conviction
9 and not more than six months for a second or subsequent conviction under
10 this subsection.

11 Q. A person who is ~~of legal drinking age~~ AT LEAST EIGHTEEN YEARS OF
12 AGE and who is an occupant of AN unlicensed premises is guilty of a class
13 1 misdemeanor if both of the following apply:

14 1. The person knowingly allows a gathering on such unlicensed
15 premises of two or more persons who are under the legal drinking age and
16 who are neither:

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

18 (b) Permanently residing with the person.

19 2. The person knows or should know that one or more of the persons
20 under the legal drinking age is in possession of or consuming spirituous
21 liquor on the unlicensed premises.

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

25 S. A peace officer shall forward or electronically transfer to the
26 director of the department of transportation the affidavit required by
27 section 28-3310 if the peace officer has arrested a person for the
28 commission of an offense for which, on conviction, suspension of the
29 license or privilege to operate a motor vehicle is required by section
30 28-3309, subsection A, B, C or D, or if the peace officer has confiscated
31 a false identification document used by the person to gain access to
32 licensed premises.

33 T. A person who acts under a program of testing compliance with
34 this title that is approved by the director is not in violation of section
35 4-244.

36 U. Law enforcement agencies may use persons who are under the legal
37 drinking age to test compliance with this section and section 4-244,
38 paragraph 9 by a licensee if the law enforcement agency has reasonable
39 suspicion that the licensee is violating this section or section 4-244,
40 paragraph 9. A person who is under the legal drinking age and who
41 purchases or attempts to purchase spirituous liquor under the direction of
42 a law enforcement agency pursuant to this subsection is immune from
43 prosecution for that purchase or attempted purchase. Law enforcement
44 agencies may use a person under the legal drinking age pursuant to this
45 subsection only if:

- 1 1. The person is at least fifteen but not more than nineteen years
2 of age.
- 3 2. The person is not employed on an incentive or quota basis.
- 4 3. The person's appearance is that of a person who is under the
5 legal drinking age.
- 6 4. A photograph of the person is taken no more than twelve hours
7 before the purchase or attempted purchase. The photograph shall
8 accurately depict the person's appearance and attire. A licensee or an
9 employee of a licensee who is cited for selling spirituous liquor to a
10 person under the legal drinking age pursuant to this subsection ~~shall be~~
11 ~~permitted~~ IS ALLOWED to inspect the photograph immediately after the
12 citation is issued. The person's appearance at any trial or
13 administrative hearing that results from a citation shall not be
14 substantially different from the person's appearance at the time the
15 citation was issued.
- 16 5. The person places, receives and pays for the person's order of
17 spirituous liquor. An adult shall not accompany the person onto the
18 premises of the licensee.
- 19 6. The person does not consume any spirituous liquor.
- 20 V. The department may adopt rules to carry out the purposes of this
21 section.
- 22 Sec. 18. Section 4-243, Arizona Revised Statutes, is amended to
23 read:
- 24 4-243. Commercial coercion or bribery unlawful; exceptions
- 25 A. It is unlawful for a person engaged in the business of
26 distiller, vintner, brewer, rectifier or blender or any other producer or
27 wholesaler of any spirituous liquor, directly or indirectly, or through an
28 affiliate:
- 29 1. To require that a retailer purchase spirituous liquor from the
30 producer or wholesaler to the exclusion, in whole or in part, of
31 spirituous liquor sold or offered for sale by other persons.
- 32 2. To induce a retailer by any form of commercial bribery to
33 purchase spirituous liquor from the producer or wholesaler to the
34 exclusion, in whole or in part, of spirituous liquor sold or offered for
35 sale by other persons.
- 36 3. To acquire an interest in property owned, occupied or used by
37 the retailer in the retailer's business, or in a license with respect to
38 the premises of the retailer.
- 39 4. To furnish, give, rent, lend or sell to the retailer equipment,
40 fixtures, signs, supplies, money, services or other things of value,
41 subject to ~~such~~ THE exception as the rules adopted pursuant to this title
42 may prescribe, having regard for established trade customs and the
43 purposes of this subsection.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44 (c) Sampling ~~shall be~~ IS limited to three ounces of beer, one and
45 one-half ounces of wine or one ounce of distilled spirits per person per

1 day for consumption on the premises and up to seventy-two ounces of beer
2 and two ounces of distilled spirits per person per day for consumption off
3 the premises.

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

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

10 (f) A producer conducting sampling shall buy the sampled product
11 from a wholesaler OR FROM THE RETAILER WHERE THE SAMPLING IS BEING
12 CONDUCTED. IF THE PRODUCT FOR THE SAMPLING IS PURCHASED FROM THE
13 RETAILER, THE AMOUNT PAID FOR THE PRODUCT MUST BE THE SAME AMOUNT THAT THE
14 RETAILER CHARGES FOR SALE TO THE GENERAL PUBLIC.

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

17 (h) The producer or wholesaler shall designate an area in which
18 sampling is conducted that is in the portion of the licensed premises
19 where spirituous liquor is primarily displayed and separated from the
20 remainder of the off-sale retailer's premises by a wall, rope, door,
21 cable, cord, chain, fence or other barrier. The producer or wholesaler
22 shall not permit persons under the legal drinking age from entering the
23 area in which sampling is conducted. IF THE RETAIL LOCATION HAS BEEN
24 ISSUED A PERMANENT SAMPLING PRIVILEGE FROM THE DEPARTMENT, THE REQUIREMENT
25 FOR SEPARATION FROM THE REMAINDER OF THE PREMISES BY WALL, ROPE, DOOR,
26 CABLE, CORD, CHAIN, FENCE OR OTHER BARRIER IS NOT REQUIRED.

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

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

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

35 (l) All sampling procedures shall comply with federal sampling laws
36 and regulations.

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

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

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

5 E. Notwithstanding subsection A, paragraphs 4 and 7 of this
6 section, a wholesaler may in the wholesaler's sole discretion accept the
7 return of malt beverage products from ~~an on-sale~~ A retailer under any of
8 the following conditions:

9 1. The retailer's licensed premises will be closed for business for
10 thirty or more consecutive days, and the products are likely to spoil or
11 expire during the business closing period.

12 2. The retailer's licensed premises is used primarily as a music or
13 live sporting venue with a permanent occupancy of more than one thousand
14 people, and the products are likely to spoil or expire during the time
15 period between venue events.

16 3. The retailer holds a governmental entity license and conducts
17 less than six events per year at which products are sold, and the products
18 are likely to spoil or expire during the time period between events.

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

25 Sec. 19. Laws 2014, chapter 253, section 37 is amended to read:

26 Sec. 37. Existing domestic farm winery licenses; temporary
27 exemption; other existing licenses

28 A. Notwithstanding section 4-205.04, Arizona Revised Statutes, as
29 amended by ~~this act~~ LAWS 2014, CHAPTER 253, SECTION 11, holders of
30 domestic farm winery licenses in this state on ~~the effective date of this~~
31 ~~act~~ JULY 24, 2014 that do not qualify under the new statutory requirements
32 established in ~~this act~~ LAWS 2014, CHAPTER 253 may continue to operate
33 under the licenses previously issued, without any expansion of operations,
34 until January 1, ~~2019~~ 2020.

35 B. Notwithstanding section 4-205.04, Arizona Revised Statutes, as
36 amended by ~~this act~~ LAWS 2014, CHAPTER 253, SECTION 11, holders of
37 domestic farm winery licenses that also hold beer and wine bar licenses
38 and beer and wine store licenses that were issued before January 1, 2014
39 may also hold beer and wine bar licenses and beer and wine store licenses
40 issued at the site of the winery before January 1, 2014.

APPROVED BY THE GOVERNOR APRIL 17, 2018.

H.B. 2334

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