



Bill Number: H.B. 2773

Mesnard Floor Amendment

Reference to: House engrossed bill

Amendment drafted by: Laura Benitez

FLOOR AMENDMENT EXPLANATION

Off-Sale Privilege Leases

1. Authorizes a bar, beer and wine bar or liquor store licensee, including non-use status licensees, to lease in one-year terms the off-sale privileges associated with the license, except to-go mixed cocktails, to a restaurant licensee located in the same county.
2. Requires the Department of Liquor Licenses and Control (DLLC) to establish a minimum of four lease windows in a calendar year during which licensees may agree to an off-sale privileges lease.
3. Allows a restaurant licensee to apply to lease a bar, beer and wine bar or liquor store licensee's off-sale privileges (off-sale privileges lease) on a form prescribed and provided by the Director at least 30 days before the end of a lease window.
4. Requires a restaurant licensee applying for an off-sale privileges lease to provide DLLC a completed lease agreement signed by the lessor and lessee.
5. Directs the Director of DLLC (Director), upon approval of an off-sale privileges lease and for the lease term, to transfer the lessor's off-sale privileges, except to-go mixed cocktails, to the restaurant lessee, and prohibits a bar or liquor store lessor from using the leased off-sale privileges associated with their license during the term of an off-sale privileges lease.
6. Subjects the off-sale use of a restaurant licensee with an off-sale privileges lease to the limitation of 30 percent of the on-premises spirituous liquor sales, as prescribed for bars.
7. Directs DLLC to establish and publish an off-sale privileges lease amount that fairly recognizes and is derived from the commercial value of selling spirituous liquor for off-premises consumption.
8. Allows DLLC to establish separate amounts for off-sale privileges leases in urban and rural counties and to designate counties for each amount.
9. Allows an off-sale privileges lessor and lessee to agree to a lease amount that is different than the DLLC-established amount.

Amendment explanation prepared by Laura Benitez

5/13/21

To-Go Mixed Cocktails Privileges

10. Extends, to liquor stores and restaurants leasing a to-go mixed cocktails privilege, the to-go mixed cocktails exemption from the prohibition on allowing spirituous liquor to be removed from the licensed premises except in the original, unbroken package.
11. Requires the Director, beginning January 1, 2026, to make to-go mixed cocktail permits available for a restaurant licensee to purchase from DLLC equal in number to the total number of bar and liquor store licensees and requires the permit to be noted on the license and in DLLC records.
12. Directs bar and liquor store licensees, through December 31, 2025, to lease to a restaurant licensee, through the DLLC, the privilege of selling mixed cocktails for off-premises consumption (to-go mixed cocktails lease).
13. Allows a restaurant licensee to apply for a to-go mixed cocktails lease from a bar or liquor store licensee on a form prescribed and provided by the Director.
14. Requires the Director, upon approval of a restaurant licensee's application, to randomly select a bar or liquor store license for the lease to the restaurant of the licensee's to-go mixed cocktail privileges.
15. Subjects the off-sale use of a restaurant licensee with a to-go mixed cocktails lease to the limitation of 30 percent of the on-premises spirituous liquor sales, as prescribed for bars.
16. Allows a bar or liquor store lessor to sell to-go mixed cocktails during the term of a to-go mixed cocktails lease.
17. Requires DLLC to establish a to-go mixed cocktails lease amount that fairly recognizes and is derived from the commercial value of the privilege to sell mixed cocktails for off-premises consumption.
18. Repeals to-go mixed cocktails leasing and lease administration requirements on January 1, 2026.
19. Requires to-go mixed cocktails to be *tamper proof sealed* by the licensee's employee, rather than sealed.

Lease Administration

20. Allows the Director to establish and charge the following to be used for associated administrative and enforcement costs:
 - a) a to-go mixed cocktails lease or permit application fee and a permit annual renewal fee; and
 - b) an off-sale privileges lease application fee.

- 21. Requires all violations and liability for liquor service under the leased off-sale or to-go mixed cocktails privileges during the lease term to be attributed only to the leasing restaurant licensee.**
- 22. Directs a restaurant that ceases regular kitchen service for food to cease selling spirituous liquor for off-premises consumption, including mixed cocktails.**
- 23. Directs DLLC to establish a process to facilitate and approve lease conveyance for to-go cocktails and off-sale privileges and to govern the lease, including:**
 - a) a standard form of lease;**
 - b) the responsibilities of the lessor and lessee;**
 - c) the term of the lease, which must be one year except for the first lease year, and the established lease amount;**
 - d) the lease may be transferred to another restaurant licensee if the new licensee purchases the original lessee's business during a lease term;**
 - e) the privileges conveyed to the lessee during the lease term continue if the lessor's license is suspended or revoked;**
 - f) if the lessor sells its license during a lease term, the license purchaser becomes the new lessor;**
 - g) Alcoholic Beverages statutes and rules apply to both the lessor and lessee;**
 - h) all violations and liability for liquor service under the lease must be attributed only to the restaurant leasing the off-sale or to-go cocktails privileges; and**
 - i) the restaurant lessee is not responsible for violations committed by the lessor.**
- 24. Specifies that the lease period for a to-go mixed cocktails privilege or off-sale privileges lease is for a period of one year and is renewable for successive, one-year terms.**
- 25. Allows the Director, during the first year of a lease, to set a lease term that is less than one year to align the lease renewal date with the renewal date of the restaurant license and allows the first-year lease payment amount to be prorated.**
- 26. Allows DLLC to adopt a procedure for payment of a lease amount to the lessor and utilize the Arizona Department of Administration to facilitate the payments.**
- 27. Allows the Director to:**
 - a) deny approval of a lease based on the proposed location or history of the lessee; and**
 - b) immediately suspend a lease for any violation by a restaurant licensee of Alcoholic Beverages statutes or related rules.**
- 28. Requires a restaurant licensee to pay all lease payments in full, in advance.**
- 29. Requires all to-go mixed cocktails permit holders, rather than applicants, and their employees, managers and agents to complete alcohol training approved by the Director.**

30. Requires the Director, if a restaurant does not renew a to-go mixed cocktails lease, to return the lessor to the bar or liquor store lessor to the random selection process.
31. Requires the Director, if a to-go mixed cocktails lessor has its license suspended or revoked, to transfer the lease to another bar or liquor store licensee at the end of the lease term.

Orders for Delivery

32. Adds beer and wine bars to licensees authorized to take orders for the sale and delivery of spirituous liquor off the licensed premises.
33. Authorizes a bar, beer and wine bar, or restaurant with a lease or permit to maintain a delivery service and specifies that the existing statutory authorization for a retail licensee with off-sale privileges to contract with an independent contractor does not apply to a bar, beer and wine bar or restaurant.
34. Authorizes a bar, beer and wine bar, liquor store, beer and wine store or restaurant with a lease or permit to contract with one or more registered alcohol delivery contractors for spirituous liquor delivery that is:
 - a) packaged and tamper proof sealed by the licensee or the licensee's employee;
 - b) loaded for delivery at the premises; and
 - c) delivered in Arizona on the same business day.
35. Applies the payment, delivery, age verification and spirituous liquor delivery labeling requirements to spirituous liquor deliveries from a bar, beer and wine bar and restaurant licensee and deliveries by a registered alcohol delivery contractor.
36. Specifies that a liquor store or beer and wine store may contract with one or more independent contractors for delivery as statutorily authorized, if the spirituous liquor is loaded for delivery at the liquor store or beer and wine store premises and delivered in Arizona on the same business day.
37. Specifies that the licensee is responsible for any violation of Alcoholic Beverages statutes or related rules committed in connection with sale and delivery.

Alcohol Delivery Contractor Registration

38. Replaces the establishment of a third-party facilitator license with authorization for the Director to register any person in Arizona as an alcohol delivery contractor to deliver spirituous liquor from a bar, beer and wine bar, liquor store, beer and wine store or restaurant licensee to a consumer in Arizona.
39. Allows a registered alcohol delivery contractor to:
 - a) deliver spirituous liquor to a consumer in Arizona on behalf of a bar, beer and wine bar, liquor store, beer and wine store or restaurant if the registered alcohol delivery contractor complies with statutory Alcoholic Beverages requirements; and
 - b) contract with independent contractors for liquor delivery to a consumer on behalf of a bar, beer and wine bar, liquor store, beer and wine store or restaurant.

- 40. Allows DLLC to require new registered alcohol delivery contractors to complete an approved alcohol training course and subjects a registered alcohol delivery contractor to the Director's authority to examine a licensee's books, records and papers.**
- 41. Authorizes DLLC, in addition to all other actions authorized for violations, to limit a contractor's right to deliver for a licensee for up to one year and requires the alcohol delivery contractor to register with DLLC to resume delivery.**
- 42. Deems, as a penalty that is appealable to the State Liquor Board, a limitation of an alcohol delivery contractor's right to deliver.**
- 43. Directs DLLC to maintain a list of registered alcohol delivery contractors that are not in penalty status.**
- 44. Deems, when making a spirituous liquor delivery for a licensee, an alcohol delivery contractor, subcontractor of an alcohol delivery contractor or the employee of the contractor or subcontractor to be acting on behalf of the licensee.**
- 45. Requires a person to apply to be a registered alcohol delivery contractor on a Director-prescribed form and directs the Director to require an applicant to provide:**
 - a) the controlling person's identification; and**
 - b) any background information necessary to identify the person and demonstrate proof of the person's authority to conduct business in Arizona, including copies of required state or local business licenses or permits.**
- 46. Allows the Director to refuse to register a person as an alcohol delivery contractor for good cause.**
- 47. Prohibits the Director from registering, as an alcohol deliver contractor, a person who has been convicted of a felony in Arizona or any other state within the five years immediately preceding application.**
- 48. Allows the Director to establish and charge an alcohol delivery contractor registration and renewal fee to be used for associated administrative and enforcement costs.**
- 49. Subjects a registered alcohol delivery contractor to statutory requirements related to:**
 - a) grounds for license revocation, suspension and refusal to renew;**
 - b) complaints and hearings;**
 - c) the Director's authority to impose a civil penalty between \$200 and \$3,000 for violations; and**
 - d) the prohibition on selling, disposing of, delivering or giving spirituous liquor to an individual purchaser between 2 a.m. and 6 a.m.**
- 50. Removes the authorization for a bar or restaurant licensee to take orders for the sale and delivery of spirituous liquor through a third-party facilitator and for a third-party facilitator to collect payment for spirituous liquor.**

Definitions

51. Redefines *mixed cocktail* as a drink combined at the premises of an authorized licensee that contains spirituous liquor, is combined with at least one other ingredient besides water and contains more than one-half percent of alcohol by volume when combined.
52. Excludes, from the definition of *mixed cocktail*, a drink sold in an original manufacturer's package or a drink poured from an original manufacturer's package without the addition of all of the cocktail's other ingredients at the licensed premises.
53. Defines *menu food item* as a food item from a regular menu, special menu or happy hour menu that is prepared by the licensee or the licensee's employee.
54. Defines *registered alcohol delivery contractor* as a person who delivers spirituous liquor to a consumer on behalf of a bar, beer and wine bar, liquor store, beer and wine store or restaurant.
55. Excludes, from the definition of *registered alcohol delivery contractor*:
 - a) a motor carrier, which is defined as a person who operates or causes to be operated a commercial motor vehicle on a public highway; and
 - b) an independent contractor, subcontractor of an independent contractor, or an independent contractor's or subcontractor's employee delivering spirituous liquor according to existing statutory requirements on behalf of a retail licensee with off-sale privileges, besides a bar, beer and wine bar or restaurant.
56. Defines *tamper-proof sealed* as designed to prevent consumption without the removal of a tamper-proof cap, seal, cork or closure that has a device, mechanism or adhesive that clearly shows whether a container has been opened.
57. Modifies the definition of *gross revenue* relating to the limit on restaurant spirituous liquor sales to include spirituous liquor sold for off-sale consumption.
58. Defines *business day*, for the purposes of *spirituous liquor delivery*, as between the hours of 6:00 a.m. of one day 2:00 a.m. of the next day.

Miscellaneous

59. Delays the effective date until October 1, 2021, with a retroactive provision as noted.
60. Exempts, retroactive to July 1, 2020, from Alcoholic Beverages statutes, the manufacture or sale of bitters products that have been classified and approved as a nonbeverage product or unfit for beverage purposes by the U.S. Alcohol and Tobacco, Tax and Trade Bureau (U.S. TTB) and specifies that the exemption is consistent with U.S. TTB classification guidelines.
61. Adds a severability clause.
62. Makes technical and conforming changes.

MESNARD FLOOR AMENDMENT
SENATE AMENDMENTS TO H.B. 2773
(Reference to House engrossed bill)

1 Page 4, after line 43, insert:

2 "24. "MENU FOOD ITEM" MEANS A FOOD ITEM FROM A REGULAR MENU, SPECIAL
3 MENU OR HAPPY HOUR MENU THAT IS PREPARED BY THE LICENSEE OR THE LICENSEE'S
4 EMPLOYEE."

5 Renumber to conform

6 Page 5, strike lines 4 through 7, insert:

7 "26. "MIXED COCKTAIL":

8 (a) MEANS ANY DRINK COMBINED AT THE PREMISES OF AN AUTHORIZED
9 LICENSEE THAT CONTAINS A SPIRITUOUS LIQUOR AND THAT IS COMBINED WITH AT
10 LEAST ONE OTHER INGREDIENT, WHICH MAY INCLUDE ADDITIONAL SPIRITUOUS
11 LIQUORS, FRUIT JUICE, VEGETABLE JUICE, MIXERS, CREAM, FLAVORED SYRUP OR
12 OTHER INGREDIENTS EXCEPT WATER, AND THAT WHEN COMBINED CONTAINS MORE THAN
13 ONE-HALF OF ONE PERCENT OF ALCOHOL BY VOLUME.

14 (b) DOES NOT INCLUDE A DRINK SOLD IN AN ORIGINAL MANUFACTURER'S
15 PACKAGING OR ANY DRINK Poured FROM AN ORIGINAL MANUFACTURER'S PACKAGE
16 WITHOUT THE ADDITION OF ALL OF THE COCKTAIL'S OTHER INGREDIENTS AT THE
17 PREMISES OF THE LICENSED BAR, LIQUOR STORE OR RESTAURANT."

18 Renumber to conform

19 Between lines 31 and 32, insert:

20 "32. "REGISTERED ALCOHOL DELIVERY CONTRACTOR":

21 (a) MEANS A PERSON WHO DELIVERS SPIRITUOUS LIQUOR TO A CONSUMER ON
22 BEHALF OF A BAR, BEER AND WINE BAR, LIQUOR STORE, BEER AND WINE STORE OR
23 RESTAURANT.

24 (b) DOES NOT INCLUDE:

25 (i) A MOTOR CARRIER AS DEFINED IN SECTION 28-5201.

1 (ii) AN INDEPENDENT CONTRACTOR, A SUBCONTRACTOR OF AN INDEPENDENT
2 CONTRACTOR, AN EMPLOYEE OF AN INDEPENDENT CONTRACTOR OR AN EMPLOYEE OF A
3 SUBCONTRACTOR AS PROVIDED IN SECTION 4-203, SUBSECTION J."

4 Renumber to conform

5 Page 6, strike lines 18 through 21, insert:

6 "38. "TAMPER PROOF SEALED" MEANS DESIGNED TO PREVENT CONSUMPTION
7 WITHOUT THE REMOVAL OF A TAMPER-PROOF CAP, SEAL, CORK OR CLOSURE THAT HAS A
8 DEVICE, MECHANISM OR ADHESIVE THAT CLEARLY SHOWS WHETHER A CONTAINER HAS
9 BEEN OPENED."

10 Renumber to conform

11 Page 9, line 34, after "privileges" insert ", EXCEPT A BAR, BEER AND WINE BAR OR
12 RESTAURANT LICENSEE,"

13 Page 11, line 20, after "BAR" insert ", BEER AND WINE BAR, LIQUOR STORE, BEER AND
14 WINE STORE"

15 Line 22, strike "THROUGH A THIRD-PARTY FACILITATOR,"

16 Line 25, strike "OR" insert "AND"

17 Between lines 26 and 27, insert:

18 "2. BEER AND WINE BAR LICENSEES FOR BEER AND WINE.

19 3. LIQUOR STORE LICENSEES FOR BEER, WINE, DISTILLED SPIRITS AND
20 MIXED COCKTAILS.

21 4. BEER AND WINE STORE LICENSEES FOR BEER AND WINE."

22 Renumber to conform

23 Line 27, strike "EITHER" insert "ANY"

24 Line 28, strike "FOOD" insert "MENU FOOD ITEMS"

25 Line 30, strike "J" insert "K AND SECTION 4-203.07 OR A LEASE PURSUANT TO
26 SECTION 4-203.06"

27 Between lines 32 and 33, insert:

28 "(c) BEER, WINE AND DISTILLED SPIRITS IF THE RESTAURANT HOLDS AN
29 OFF-SALE PRIVILEGES LEASE WITH A BAR OR LIQUOR STORE PURSUANT TO SECTION
30 4-203.07.

1 (d) BEER AND WINE IF THE RESTAURANT HOLDS AN OFF-SALE PRIVILEGES
2 LEASE WITH A BEER AND WINE BAR PURSUANT TO SECTION 4-203.07."
3 Page 11, line 42, strike "THIRD-PARTY FACILITATORS LICENSED" insert "ALCOHOL
4 DELIVERY CONTRACTORS REGISTERED"
5 Line 43, after "IS" insert "PACKAGED AND TAMPER PROOF SEALED BY THE BAR, BEER
6 AND WINE BAR, LIQUOR STORE, BEER AND WINE STORE OR RESTAURANT LICENSEE OR
7 THE LICENSEE'S EMPLOYEE AND IS"
8 Line 44, after "RESTAURANT" insert ", BEER AND WINE BAR, LIQUOR STORE, BEER
9 AND WINE STORE"
10 Line 45, after "STATE" insert "ON THE SAME BUSINESS DAY"; after the period
11 insert "A LIQUOR STORE OR BEER AND WINE STORE LICENSEE MAY CONTRACT WITH
12 ONE OR MORE INDEPENDENT CONTRACTORS AS PROVIDED IN SUBSECTION J OF THIS
13 SECTION FOR DELIVERY OF SPIRITUOUS LIQUOR IF THE SPIRITUOUS LIQUOR IS
14 LOADED FOR DELIVERY AT THE PREMISES OF THE LIQUOR STORE OR BEER AND WINE
15 STORE LICENSEE IN THIS STATE AND DELIVERED IN THIS STATE ON THE SAME
16 BUSINESS DAY."
17 Page 12, line 1, after "BE" insert "TAMPER PROOF SEALED AND"
18 Line 6, after "LIQUOR" strike remainder of line
19 Line 7, strike "A LICENSED THIRD-PARTY FACILITATOR"
20 Line 8, after the second "OR" insert "AUTHORIZED"; strike "AN AUTHORIZED"
21 Line 9, strike "THIRD-PARTY FACILITATOR" insert "A REGISTERED ALCOHOL DELIVERY
22 CONTRACTOR"
23 Line 13, after "RESTAURANT" insert ", BEER AND WINE BAR, LIQUOR STORE, BEER
24 AND WINE STORE"; strike "OR THIRD-PARTY FACILITATOR"
25 Line 16, strike "LIQUORS" insert "LIQUOR"
26 Line 20, after "OR" strike remainder of line
27 Line 21, strike "FACILITATOR" insert "A REGISTERED ALCOHOL DELIVERY
28 CONTRACTOR"
29 Line 25, after the period insert "AN ALCOHOL DELIVERY CONTRACTOR, A
30 SUBCONTRACTOR OF AN ALCOHOL DELIVERY CONTRACTOR, AN EMPLOYEE OF AN ALCOHOL
31 DELIVERY CONTRACTOR OR AN EMPLOYEE OF A SUBCONTRACTOR IS DEEMED TO BE

1 ACTING ON BEHALF OF THE LICENSEE WHEN MAKING A DELIVERY OF SPIRITUOUS
2 LIQUOR FOR THE LICENSEE. FOR THE PURPOSES OF THIS SUBSECTION, "BUSINESS
3 DAY" MEANS BETWEEN THE HOURS OF 6:00 A.M. OF ONE DAY AND 2:00 A.M. OF THE
4 NEXT DAY."

5 Page 12, between lines 25 and 26, insert:

6 "Sec. 3. Title 4, chapter 2, article 1, Arizona Revised Statutes, is
7 amended by adding sections 4-203.06 and 4-203.07, to read:

8 4-203.06. Mixed cocktails; off-sale privileges; leases; fees

9 A. NOTWITHSTANDING SECTION 4-203, SUBSECTION E AND SECTION 4-210,
10 SUBSECTION A, PARAGRAPH 6, THROUGH DECEMBER 31, 2025, BAR AND LIQUOR STORE
11 LICENSEES, THROUGH THE DEPARTMENT, SHALL LEASE TO RESTAURANT LICENSEES THE
12 PRIVILEGE OF SELLING MIXED COCKTAILS FOR CONSUMPTION OFF THE LICENSED
13 PREMISES IN ACCORDANCE WITH SECTION 4-244, PARAGRAPH 32, SUBDIVISION (d).
14 THE LEASE SHALL BE FOR A PERIOD OF ONE YEAR AND SHALL BE RENEWABLE FOR
15 SUCCESSIVE TERMS OF ONE YEAR. THE DEPARTMENT SHALL ESTABLISH A LEASE
16 AMOUNT THAT FAIRLY RECOGNIZES, AND IS DERIVED FROM, THE COMMERCIAL VALUE OF
17 THE PRIVILEGE TO SELL MIXED COCKTAILS FOR CONSUMPTION OFF THE LICENSED
18 PREMISES.

19 B. LEASES MADE PURSUANT TO SUBSECTION A OF THIS SECTION ARE SUBJECT
20 TO THE FOLLOWING CONDITIONS:

21 1. A RESTAURANT LICENSEE MAY APPLY TO THE DEPARTMENT ON A FORM
22 PRESCRIBED AND PROVIDED BY THE DEPARTMENT FOR A LEASE PURSUANT TO THIS
23 SECTION. THE DEPARTMENT MAY ESTABLISH AND CHARGE AN APPLICATION FEE FOR
24 ADMINISTRATIVE AND ENFORCEMENT COSTS ASSOCIATED WITH THIS SECTION.

25 2. ON THE DIRECTOR APPROVING THE APPLICATION OF A RESTAURANT
26 LICENSEE, THE DIRECTOR SHALL RANDOMLY SELECT A BAR OR LIQUOR STORE LICENSE
27 FOR THE LEASE OF THE BAR OR LIQUOR STORE LICENSEE'S MIXED COCKTAIL OFF-SALE
28 PRIVILEGES TO THE RESTAURANT LICENSEE THROUGH THE DEPARTMENT.

29 3. THE DEPARTMENT SHALL ESTABLISH A PROCESS TO FACILITATE AND
30 APPROVE THE LEASE CONVEYANCE AND TO GOVERN THE LEASES, INCLUDING THE
31 FOLLOWING:

- 1 (a) A STANDARD FORM OF LEASE.
- 2 (b) THE TERM OF THE LEASE, WHICH SHALL BE ONE YEAR EXCEPT FOR THE
3 FIRST YEAR OF THE LEASE. DURING THE FIRST YEAR OF THE LEASE, THE DIRECTOR
4 MAY SET A LEASE TERM THAT IS LESS THAN A YEAR IN ORDER TO ALIGN THE LEASE
5 RENEWAL DATE WITH THE RENEWAL DATE OF THE RESTAURANT LICENSE. THE LEASE
6 PAYMENT AMOUNT FOR THE FIRST YEAR MAY BE PRORATED.
- 7 (c) THE AMOUNT OF THE LEASE ESTABLISHED BY THE DIRECTOR PURSUANT TO
8 SUBSECTION A OF THIS SECTION.
- 9 (d) THE RESPONSIBILITIES OF THE LESSOR AND LESSEE.
- 10 (e) THE LEASE MAY BE TRANSFERRED TO ANOTHER RESTAURANT LICENSEE IF A
11 NEW RESTAURANT LICENSEE PURCHASES THE BUSINESS OF THE ORIGINAL LESSEE
12 DURING THE TERM OF THE LEASE.
- 13 (f) THE PRIVILEGES CONVEYED TO THE LESSEE DURING THE TERM OF THE
14 LEASE WILL CONTINUE IF THE BAR OR LIQUOR STORE LESSOR HAS ITS LICENSE
15 SUSPENDED OR REVOKED.
- 16 (g) IF THE BAR OR LIQUOR STORE LESSOR SELLS ITS LICENSE DURING THE
17 TERM OF THE LEASE, THE PURCHASER OF THE BAR OR LIQUOR STORE LICENSE BECOMES
18 THE NEW LESSOR.
- 19 (h) THIS TITLE AND RULES ADOPTED PURSUANT TO THIS TITLE APPLY TO
20 BOTH THE LESSOR AND LESSEE.
- 21 (i) DURING THE TERM OF THE LEASE, ALL VIOLATIONS AND LIABILITY FOR
22 LIQUOR SERVICE UNDER THE LEASE SHALL BE ATTRIBUTED ONLY TO THE RESTAURANT
23 LICENSEE LEASING THE MIXED COCKTAIL OFF-SALE PRIVILEGE. THE RESTAURANT
24 LICENSEE LEASING THE OFF-SALE PRIVILEGE IS NOT RESPONSIBLE FOR VIOLATIONS
25 COMMITTED BY THE LESSOR.
- 26 4. THE DIRECTOR MAY DENY APPROVAL OF A LEASE BASED ON THE PROPOSED
27 LOCATION OR HISTORY OF THE PROPOSED LESSEE.
- 28 5. THE RESTAURANT LICENSEE SHALL PAY TO THE DEPARTMENT ALL LEASE
29 PAYMENTS IN FULL IN ADVANCE.

1 6. THE DEPARTMENT OF LIQUOR LICENSES AND CONTROL MAY ADOPT A
2 PROCEDURE TO PAY THE LEASE AMOUNT TO THE LESSOR AND MAY USE THE DEPARTMENT
3 OF ADMINISTRATION TO FACILITATE THE PAYMENTS.

4 7. DURING THE TERM OF THE LEASE, ALL VIOLATIONS AND LIABILITY FOR
5 THE LIQUOR SERVICE UNDER THE LEASE SHALL BE ATTRIBUTED ONLY TO THE
6 RESTAURANT LICENSEE LEASING THE PRIVILEGE. PURSUANT TO SECTION 4-210, THE
7 DIRECTOR MAY IMMEDIATELY SUSPEND A LEASE FOR ANY VIOLATION OF THIS TITLE OR
8 ANY RULE ADOPTED PURSUANT TO THIS TITLE BY THE RESTAURANT LICENSEE. THE
9 RESTAURANT LICENSEE LEASING THE OFF-SALE PRIVILEGE IS NOT RESPONSIBLE FOR
10 VIOLATIONS COMMITTED BY THE LESSOR.

11 8. DURING THE TERM OF THE LEASE, A BAR OR LIQUOR STORE LESSOR MAY
12 CONTINUE TO SELL SPIRITUOUS LIQUOR AS AUTHORIZED BY THE BAR OR LIQUOR STORE
13 LICENSE AND MIXED COCKTAILS FOR OFF-PREMISES CONSUMPTION PURSUANT TO
14 SECTION 4-244, PARAGRAPH 32, SUBDIVISION (d).

15 9. THE RESTAURANT LICENSEE LEASING THE OFF-SALE PRIVILEGE IS SUBJECT
16 TO THE LIMIT ON OFF-SALE USE BY THE RESTAURANT LICENSEE'S TOTAL SPIRITUOUS
17 LIQUOR SALES AS PRESCRIBED IN SECTION 4-206.01, SUBSECTION G.

18 C. IF A RESTAURANT LICENSEE DOES NOT RENEW A LEASE, THE DIRECTOR
19 SHALL RETURN THE BAR OR LIQUOR STORE LESSOR TO THE RANDOM SELECTION PROCESS
20 PURSUANT TO SUBSECTION B, PARAGRAPH 2 OF THIS SECTION.

21 D. IF A BAR OR LIQUOR STORE LESSOR HAS ITS LICENSE SUSPENDED OR
22 REVOKED, THE DIRECTOR SHALL TRANSFER THE LEASE TO ANOTHER BAR OR LIQUOR
23 STORE LICENSEE AT THE END OF THE LEASE TERM PURSUANT TO SUBSECTION B,
24 PARAGRAPH 2 OF THIS SECTION.

25 4-203.07. Off-sale privileges; leases; mixed cocktails;
26 permits; fees

27 A. NOTWITHSTANDING SECTION 4-203, SUBSECTION E AND SECTION 4-210,
28 SUBSECTION A, PARAGRAPH 6, A BAR, BEER AND WINE BAR AND LIQUOR STORE
29 LICENSEE MAY LEASE THE OFF-SALE PRIVILEGES ASSOCIATED WITH THE LICENSEE'S
30 LICENSE, EXCEPT THE PRIVILEGE TO SELL MIXED COCKTAILS FOR OFF-PREMISES
31 CONSUMPTION PURSUANT TO SECTION 4-244, PARAGRAPH 32, SUBDIVISION (d), TO A

1 RESTAURANT LICENSEE. THE LEASE SHALL BE FOR A PERIOD OF ONE YEAR AND MAY
2 BE RENEWABLE FOR SUCCESSIVE TERMS OF ONE YEAR. THE OFF-SALE PRIVILEGES OF
3 A BAR, BEER AND WINE BAR OR LIQUOR STORE LICENSE THAT ARE HELD IN NON-USE
4 STATUS MAY ALSO BE LEASED PURSUANT TO THIS SECTION.

5 B. LEASES MADE PURSUANT TO THIS SECTION ARE SUBJECT TO THE FOLLOWING
6 CONDITIONS:

7 1. THE DEPARTMENT SHALL ESTABLISH A MINIMUM OF FOUR LEASE WINDOWS
8 THROUGHOUT THE CALENDAR YEAR DURING WHICH A LEASE MAY BE AGREED TO BETWEEN
9 A BAR, BEER AND WINE BAR OR LIQUOR STORE LICENSEE AND A RESTAURANT LICENSEE
10 FOR THE LEASE OF OFF-SALE PRIVILEGES.

11 2. A RESTAURANT LICENSEE MAY APPLY TO THE DEPARTMENT FOR APPROVAL OF
12 A LEASE AT LEAST THIRTY DAYS BEFORE THE END OF THE LEASE WINDOW. THE
13 RESTAURANT LICENSEE SHALL PROVIDE A COMPLETED LEASE AGREEMENT SIGNED BY
14 BOTH THE LESSOR AND LESSEE. THE DEPARTMENT MAY ESTABLISH AND CHARGE AN
15 APPLICATION FEE FOR ADMINISTRATIVE AND ENFORCEMENT COSTS ASSOCIATED WITH
16 THIS SECTION.

17 3. ON THE DIRECTOR APPROVING THE LEASE, THE DIRECTOR SHALL TRANSFER
18 THE LESSOR'S OFF-SALE PRIVILEGES, EXCEPT THE PRIVILEGE TO SELL MIXED
19 COCKTAILS FOR OFF-PREMISES CONSUMPTION PURSUANT TO SECTION 4-244, PARAGRAPH
20 32, SUBDIVISION (d), TO THE RESTAURANT LESSEE FOR THE TERM OF THE LEASE.

21 4. THE DEPARTMENT SHALL ESTABLISH A PROCESS TO FACILITATE AND
22 APPROVE THE LEASE CONVEYANCE AND TO GOVERN THE LEASES, INCLUDING THE
23 FOLLOWING:

24 (a) A STANDARD FORM OF LEASE.

25 (b) THE TERM OF THE LEASE SHALL BE ONE YEAR EXCEPT FOR THE FIRST
26 YEAR OF THE LEASE. DURING THE FIRST YEAR OF THE LEASE, THE DIRECTOR MAY
27 ESTABLISH A LEASE TERM THAT IS LESS THAN A YEAR IN ORDER TO ALIGN THE LEASE
28 RENEWAL DATE WITH THE RENEWAL DATE OF THE RESTAURANT LICENSE.

29 (c) THE RESPONSIBILITIES OF THE LESSOR AND LESSEE.

1 (d) THE LEASE MAY BE TRANSFERRED TO ANOTHER RESTAURANT LICENSEE IF
2 THE NEW RESTAURANT LICENSEE PURCHASES THE BUSINESS OF THE ORIGINAL LESSEE
3 DURING THE TERM OF THE LEASE.

4 (e) THE PRIVILEGES CONVEYED TO THE LESSEE DURING THE TERM OF THE
5 LEASE WILL CONTINUE IF THE BAR, BEER AND WINE BAR OR LIQUOR STORE LESSOR
6 HAS ITS LICENSE SUSPENDED OR REVOKED.

7 (f) IF THE BAR, BEER AND WINE BAR OR LIQUOR STORE LESSOR SELLS ITS
8 LICENSE DURING THE TERM OF THE LEASE, THE PURCHASER OF THE BAR, BEER AND
9 WINE BAR OR LIQUOR STORE LICENSE BECOMES THE NEW LESSOR.

10 (g) THIS TITLE AND RULES ADOPTED PURSUANT TO THIS TITLE APPLY TO
11 BOTH THE LESSOR AND LESSEE.

12 (h) DURING THE TERM OF THE LEASE, ALL VIOLATIONS AND LIABILITY FOR
13 LIQUOR SERVICE UNDER THE LEASE SHALL BE ATTRIBUTED ONLY TO THE RESTAURANT
14 LICENSEE LEASING THE PRIVILEGE. THE RESTAURANT LICENSEE LEASING THE
15 OFF-SALE PRIVILEGE IS NOT RESPONSIBLE FOR VIOLATIONS COMMITTED BY THE
16 LESSOR.

17 5. THE RESTAURANT LICENSEE SHALL PAY TO THE DEPARTMENT ALL LEASE
18 PAYMENTS IN FULL IN ADVANCE.

19 6. THE DEPARTMENT OF LIQUOR LICENSES AND CONTROL MAY ADOPT A
20 PROCEDURE TO PAY THE LEASE AMOUNT TO THE LESSOR AND MAY USE THE DEPARTMENT
21 OF ADMINISTRATION TO FACILITATE THE PAYMENTS.

22 7. DURING THE TERM OF THE LEASE, ALL VIOLATIONS AND LIABILITY FOR
23 THE LIQUOR SERVICE UNDER THE LEASE SHALL BE ATTRIBUTED ONLY TO THE
24 RESTAURANT LICENSEE LEASING THE PRIVILEGE. PURSUANT TO SECTION 4-210, THE
25 DIRECTOR MAY IMMEDIATELY SUSPEND A LEASE FOR ANY VIOLATION OF THIS TITLE OR
26 ANY RULE ADOPTED PURSUANT TO THIS TITLE BY THE RESTAURANT LICENSEE. THE
27 RESTAURANT LICENSEE LEASING THE OFF-SALE PRIVILEGE IS NOT RESPONSIBLE FOR
28 VIOLATIONS COMMITTED BY THE LESSOR.

29 8. DURING THE TERM OF THE LEASE, A BAR, BEER AND WINE BAR OR LIQUOR
30 STORE LESSOR MAY NOT SELL SPIRITUOUS LIQUOR FOR OFF-PREMISES CONSUMPTION,
31 EXCEPT A BAR OR LIQUOR STORE LICENSEE MAY SELL MIXED COCKTAILS FOR

1 OFF-PREMISES CONSUMPTION PURSUANT TO SECTION 4-244, PARAGRAPH 32,
2 SUBDIVISION (d).

3 9. THE RESTAURANT LICENSEE LEASING THE OFF-SALE PRIVILEGE IS SUBJECT
4 TO THE LIMIT ON OFF-SALE USE BY THE RESTAURANT LICENSEE'S TOTAL SPIRITUOUS
5 LIQUOR SALES AS PRESCRIBED IN SECTION 4-206.01, SUBSECTION G.

6 10. A LESSOR MAY LEASE ITS OFF-SALE PRIVILEGES ONLY TO A RESTAURANT
7 LICENSEE LOCATED IN THE SAME COUNTY.

8 C. THE DIRECTOR SHALL PUBLISH A LEASE AMOUNT FOR LEASES MADE
9 PURSUANT TO THIS SECTION. THE DEPARTMENT SHALL ESTABLISH A LEASE AMOUNT
10 THAT FAIRLY RECOGNIZES, AND IS DERIVED FROM, THE COMMERCIAL VALUE OF
11 SELLING SPIRITUOUS LIQUOR FOR CONSUMPTION OFF THE LICENSED PREMISES. THE
12 DEPARTMENT MAY ESTABLISH SEPARATE LEASE AMOUNTS FOR URBAN AND RURAL
13 COUNTIES AND MAY DESIGNATE COUNTIES IN THIS STATE FOR EACH AMOUNT. THE
14 LEASE AMOUNT APPLIES UNLESS THE LESSOR AND LESSEE AGREE TO A DIFFERENT
15 LEASE AMOUNT.

16 D. BEGINNING JANUARY 1, 2026, THE DIRECTOR SHALL MAKE AVAILABLE FOR
17 RESTAURANT LICENSEES TO PURCHASE FROM THE DEPARTMENT PERMITS TO SELL MIXED
18 COCKTAILS PURSUANT TO SECTION 4-244, PARAGRAPH 32, SUBDIVISION (d) EQUAL IN
19 NUMBER TO THE NUMBER OF TOTAL BAR AND LIQUOR STORE LICENSES. THE DIRECTOR
20 MAY SET THE APPLICATION AND ANNUAL RENEWAL FEE FOR A MIXED COCKTAIL PERMIT
21 TO BE USED FOR ADMINISTRATIVE AND ENFORCEMENT COSTS ASSOCIATED WITH THE
22 PERMIT.

23 Sec. 4. Delayed repeal

24 Section 4-203.06, Arizona Revised Statutes, as added by this act, is
25 repealed from and after December 31, 2025."

26 Renumber to conform

27 Page 13, line 3, strike "30" insert "31"

28 Page 14, between lines 11 and 12, insert:

29 "J. NOTWITHSTANDING SECTION 4-207, SECTION 4-203, SUBSECTION E AND
30 SECTION 4-210, SUBSECTION A, PARAGRAPH 6, THROUGH DECEMBER 31, 2025, A
31 RESTAURANT APPLICANT OR LICENSEE MAY APPLY TO THE DEPARTMENT FOR A LEASE

1 FOR THE PRIVILEGE OF SELLING MIXED COCKTAILS FOR CONSUMPTION OFF THE
2 LICENSED PREMISES PURSUANT TO SECTION 4-203.06 AND SECTION 4-244, PARAGRAPH
3 32, SUBDIVISION (d)."

4 Reletter to conform

5 Page 14, line 12, after the comma insert "BEGINNING JANUARY 1, 2026,"

6 Line 14, after "TO" insert "SECTION 4-203.07 AND"

7 Line 17, strike "FOOD" insert "MENU FOOD ITEMS"

8 Line 21, strike "APPLICANTS FOR THE"; after "PERMIT" insert "HOLDERS"

9 Line 22, strike "MANAGING"

10 Strike lines 27 through 31, insert:

11 "L. A RESTAURANT LICENSEE SHALL CEASE SELLING SPIRITUOUS LIQUOR,
12 INCLUDING MIXED COCKTAILS, FOR OFF-PREMISES CONSUMPTION WHEN THE LICENSEE
13 CEASES REGULAR KITCHEN SERVICE FOR FOOD."

14 Reletter to conform

15 Line 33, after the second quotation mark insert ":

16 (a)"

17 Between lines 37 and 38, insert:

18 "(b) INCLUDES REVENUE DERIVED FROM SPIRITUOUS LIQUOR SOLD FOR
19 OFF-SALE CONSUMPTION."

20 Strike page 15

21 Page 16, strike lines 1 through 21, insert:

22 "Sec. 6. Title 4, chapter 2, article 1, Arizona Revised Statutes, is
23 amended by adding section 4-205.13, to read:

24 4-205.13. Registered alcohol delivery contractor; issuance;
25 fee; regulatory provisions

26 A. THE DIRECTOR MAY REGISTER ANY PERSON IN THIS STATE AS AN ALCOHOL
27 DELIVERY CONTRACTOR FOR THE PURPOSES OF DELIVERING SPIRITUOUS LIQUOR FROM A
28 BAR, BEER AND WINE BAR, LIQUOR STORE, BEER AND WINE STORE OR RESTAURANT
29 LICENSEE TO A CONSUMER IN THIS STATE PURSUANT TO SECTION 4-203, SUBSECTIONS
30 S AND T.

1 B. A PERSON SHALL APPLY TO BE A REGISTERED ALCOHOL DELIVERY
2 CONTRACTOR ON A FORM PRESCRIBED BY THE DIRECTOR. THE DIRECTOR SHALL
3 REQUIRE AN APPLICANT TO PROVIDE THE CONTROLLING PERSON'S IDENTIFICATION AND
4 ANY BACKGROUND INFORMATION DEEMED NECESSARY TO IDENTIFY THE PERSON AND TO
5 DEMONSTRATE PROOF OF THE PERSON'S AUTHORITY TO CONDUCT BUSINESS IN THIS
6 STATE, INCLUDING COPIES OF ANY REQUIRED STATE OR LOCAL BUSINESS LICENSES OR
7 PERMITS. THE DIRECTOR MAY ESTABLISH AND CHARGE A REGISTRATION FEE AND A
8 RENEWAL FEE TO BE USED FOR ADMINISTRATIVE AND ENFORCEMENT COSTS ASSOCIATED
9 WITH ALCOHOL DELIVERY CONTRACTORS.

10 C. THE DEPARTMENT SHALL MAINTAIN A LIST OF REGISTERED ALCOHOL
11 DELIVERY CONTRACTORS THAT ARE NOT OTHERWISE IN PENALTY STATUS PURSUANT TO
12 SUBSECTION G OF THIS SECTION.

13 D. THE DEPARTMENT MAY REQUIRE NEW REGISTERED ALCOHOL DELIVERY
14 CONTRACTORS TO COMPLETE AN APPROVED TRAINING COURSE IN ACCORDANCE WITH
15 SECTION 4-112, SUBSECTION G, PARAGRAPH 2. A REGISTERED ALCOHOL DELIVERY
16 CONTRACTOR IS SUBJECT TO EXAMINATIONS CONDUCTED PURSUANT TO SECTION 4-112,
17 SUBSECTION G, PARAGRAPH 1.

18 E. THE DIRECTOR MAY REFUSE TO REGISTER A PERSON AS AN ALCOHOL
19 DELIVERY CONTRACTOR FOR GOOD CAUSE AND MAY NOT REGISTER ANY PERSON AS AN
20 ALCOHOL DELIVERY CONTRACTOR IF THE PERSON HAS BEEN CONVICTED OF A FELONY IN
21 THIS STATE OR ANY OTHER STATE WITHIN FIVE YEARS IMMEDIATELY PRECEDING THE
22 APPLICATION.

23 F. A REGISTERED ALCOHOL DELIVERY CONTRACTOR MAY DELIVER SPIRITUOUS
24 LIQUOR TO A CONSUMER IN THIS STATE ON BEHALF OF A BAR, BEER AND WINE BAR,
25 LIQUOR STORE, BEER AND WINE STORE OR RESTAURANT IN THIS STATE PURSUANT TO
26 SECTION 4-203, SUBSECTIONS S AND T, IF THE REGISTERED ALCOHOL DELIVERY
27 CONTRACTOR COMPLIES WITH THIS TITLE. A REGISTERED ALCOHOL DELIVERY
28 CONTRACTOR MAY CONTRACT WITH ONE OR MORE INDEPENDENT SUBCONTRACTORS FOR THE
29 DELIVERY OF SPIRITUOUS LIQUOR TO A CONSUMER IN THIS STATE ON BEHALF OF A
30 BAR, BEER AND WINE BAR, LIQUOR STORE, BEER AND WINE STORE OR RESTAURANT IN
31 THIS STATE PURSUANT TO SECTION 4-203, SUBSECTIONS S AND T. AN ALCOHOL

1 DELIVERY CONTRACTOR, A SUBCONTRACTOR OF AN ALCOHOL DELIVERY CONTRACTOR, AN
2 EMPLOYEE OF AN ALCOHOL DELIVERY CONTRACTOR OR AN EMPLOYEE OF A
3 SUBCONTRACTOR IS DEEMED TO BE ACTING ON BEHALF OF THE LICENSEE WHEN MAKING
4 A DELIVERY OF SPIRITUOUS LIQUOR FOR THE LICENSEE.

5 G. IN ADDITION TO ALL OTHER ACTION THAT MAY BE TAKEN BY THE DIRECTOR
6 FOR A VIOLATION OF THIS TITLE OR THE RULES ADOPTED PURSUANT TO THIS TITLE
7 BY A REGISTERED ALCOHOL DELIVERY CONTRACTOR AND ITS EMPLOYEES OR
8 SUBCONTRACTORS AND EMPLOYEES OF SUBCONTRACTORS, THE DEPARTMENT MAY LIMIT
9 THE RIGHT OF THE REGISTERED ALCOHOL DELIVERY CONTRACTOR TO DELIVER
10 SPIRITUOUS LIQUOR ON BEHALF OF A LICENSEE FOR A PERIOD OF UP TO ONE YEAR,
11 AFTER WHICH THE ALCOHOL DELIVERY CONTRACTOR SHALL REGISTER WITH THE
12 DEPARTMENT TO RESUME DELIVERY OF SPIRITUOUS LIQUOR. ANY PENALTY ISSUED
13 PURSUANT TO THIS SUBSECTION MAY BE APPEALED TO THE BOARD PURSUANT TO
14 SECTION 4-210.02."

15 Page 18, line 41, strike "L" insert "M"

16 Page 20, strike lines 16 through 18

17 Line 45, after "TO" insert "SECTION 4-203.07 AND"; strike "J" insert "K AND
18 LEASES PURSUANT TO SECTIONS 4-203.06 AND 4-203.07"

19 Page 22, line 1, after "TO" insert "SECTION 4-203.07 AND"; strike "J" insert "K"

20 Line 2, after the period insert "THE DIRECTOR MAY ESTABLISH AND CHARGE FEES
21 FOR LEASE APPLICATIONS PURSUANT TO SECTIONS 4-203.06 AND 4-203.07."

22 Line 13, strike "A THIRD-PARTY FACILITATOR"

23 Line 14, strike "LICENSE" insert "REGISTERING AN ALCOHOL DELIVERY CONTRACTOR"

24 Page 23, line 17, after "TO" insert "SECTION 4-203.07 AND"

25 Line 18, strike "J." insert "K. THE DIRECTOR MAY CHARGE ANNUAL LEASE AMOUNTS
26 PURSUANT TO SECTIONS 4-203.06 AND 4-203.07."

27 Line 30, after "ANNUAL" insert "REGISTRATION"

28 Line 31, strike "THIRD-PARTY FACILITATOR LICENSE" insert "REGISTERED ALCOHOL
29 DELIVERY CONTRACTOR"

1 Page 25, line 8, strike "A PERMIT" insert "APPLICATION FEES FOR PERMITS"
2 Line 9, strike "J AND" insert "K,"; strike "A LICENSE ISSUED" insert "LEASES
3 PURSUANT TO SECTIONS 4-203.06 AND 4-203.07 AND REGISTRATIONS"
4 Line 10, strike ", INCLUDING THE ANNUAL RENEWAL FEES,"
5 Line 11, after "PERMIT" insert ", REGISTRATION"; strike "LICENSE" insert
6 "LEASE"
7 Line 12, strike "SECTION" insert "CHAPTER"
8 Between lines 12 and 13, insert:
9 "Sec. 9. Section 4-210, Arizona Revised Statutes, is amended to
10 read:
11 4-210. Grounds for revocation, suspension and refusal to
12 renew; notice; complaints; hearings; defense
13 A. After notice and hearing, the director may suspend, revoke or
14 refuse to renew any license, REGISTRATION, LEASE OR PERMIT issued pursuant
15 to this chapter for any of the following reasons:
16 1. There occurs on the licensed premises repeated acts of violence.
17 2. The licensee, REGISTRANT, LESSEE OR PERMITTEE fails to
18 satisfactorily maintain the capability, qualifications and reliability
19 requirements of an applicant for a license, REGISTRATION, LEASE OR PERMIT
20 prescribed in section 4-202, ~~or~~ 4-203, 4-203.06, 4-203.07 OR 4-205.13.
21 3. The licensee, REGISTRANT, LESSEE, PERMITTEE or controlling person
22 knowingly files with the department an application or other document that
23 contains material information that is false or misleading or while under
24 oath knowingly gives testimony in an investigation or other proceeding
25 under this title that is false or misleading.
26 4. The licensee, REGISTRANT, LESSEE, PERMITTEE or controlling person
27 is on the premises habitually intoxicated.
28 5. The licensed, REGISTERED, LEASED OR PERMITTED business is
29 delinquent for more than one hundred twenty days in the payment of taxes,
30 penalties or interest in an amount that exceeds \$250 to ~~the~~ THIS state or
31 to any political subdivision of ~~the~~ THIS state.

1 6. The licensee or controlling person obtains, assigns, transfers or
2 sells a spirituous liquor license without compliance with this title or
3 leases or subleases a license.

4 7. The licensee, REGISTRANT, LESSEE OR PERMITTEE fails to keep for
5 two years and make available to the department on reasonable request all
6 invoices, records, bills or other papers and documents relating to the
7 purchase, sale and delivery of spirituous liquors and, in the case of a
8 restaurant or hotel-motel licensee, all invoices, records, bills or other
9 papers and documents relating to the purchase, sale and delivery of food.

10 8. The licensee, REGISTRANT, LESSEE, PERMITTEE or controlling person
11 is convicted of a felony provided that for a conviction of a corporation to
12 serve as a reason for any action by the director, conduct that constitutes
13 the corporate offense and was the basis for the felony conviction must have
14 been engaged in, authorized, solicited, commanded or recklessly tolerated
15 by the directors of the corporation or by a high managerial agent acting
16 within the scope of employment.

17 9. The licensee, REGISTRANT, LESSEE, PERMITTEE or controlling person
18 violates or fails to comply with this title, any rule adopted pursuant to
19 this title or any liquor law of this state or any other state.

20 10. The licensee, REGISTRANT, LESSEE OR PERMITTEE fails to take
21 reasonable steps to protect the safety of a customer of the licensee,
22 REGISTRANT, LESSEE OR PERMITTEE or any other person entering, leaving or
23 remaining on the licensed premises when the licensee knew or reasonably
24 should have known of the danger to the person, or the licensee fails to
25 take reasonable steps to intervene by notifying law enforcement officials
26 or otherwise to prevent or break up an act of violence occurring on the
27 licensed premises or immediately adjacent to the premises when the licensee
28 knew or reasonably should have known of the acts of violence.

29 11. The licensee, REGISTRANT, LESSEE, PERMITTEE or controlling
30 person lacks good moral character.

1 12. The licensee, REGISTRANT, LESSEE, PERMITTEE or controlling
2 person knowingly associates with a person who has engaged in racketeering,
3 as defined in section 13-2301, or who has been convicted of a felony, and
4 the association is of a nature as to create a reasonable risk that the
5 licensee, REGISTRANT, LESSEE OR PERMITTEE will fail to conform to the
6 requirements of this title or of any criminal statute of this state.

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

11 14. There occurs on the licensed premises a serious act of violence.
12 For the purposes of this paragraph, "serious act of violence" means an act
13 of violence in which a serious injury causes the death or critical injury
14 of a person and the injuries would be obvious to a reasonable person.

15 15. The licensee fails to report a serious act of violence that
16 occurs on the licensed premises. For the purposes of this paragraph,
17 "serious act of violence" means an act of violence in which a serious
18 injury causes death or critical injury of a person and the injuries would
19 be obvious to a reasonable person.

20 16. The licensee, REGISTRANT, LESSEE OR PERMITTEE violates an order
21 of the board.

22 B. For the purposes of:

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

27 2. Subsection A, paragraphs 9 and 10 of this section, acts or
28 omissions of an employee of a licensee that violate this title or rules
29 adopted pursuant to this title are deemed to be acts or omissions of the
30 licensee. Acts or omissions by an employee or licensee committed during
31 the time the licensed premises were operated pursuant to an interim permit

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

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

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

1 E. The director may refuse to transfer any license, REGISTRATION,
2 LEASE OR PERMIT or issue a new license, REGISTRATION, LEASE OR PERMIT at
3 the same location if the director has filed a complaint against the
4 license, REGISTRATION, LEASE, PERMIT or location that has not been resolved
5 alleging a violation of any of the grounds stated in subsection A of this
6 section until the time the complaint has been finally adjudicated.

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

23 G. On the director's initiation of an investigation or on the
24 receipt of a complaint and an investigation of the complaint as deemed
25 necessary, the director may cause a complaint and notice of a hearing to be
26 directed to the licensee, REGISTRANT, LESSEE OR PERMITTEE that states the
27 violations alleged against the licensee, REGISTRANT, LESSEE OR PERMITTEE
28 and directing the licensee, REGISTRANT, LESSEE OR PERMITTEE, within fifteen
29 days after service of the complaint and notice of a hearing, to appear by
30 filing with the director an answer to the complaint. Failure of the
31 licensee, REGISTRANT, LESSEE OR PERMITTEE to answer may be deemed an

1 admission by the licensee, REGISTRANT, LESSEE OR PERMITTEE of commission of
2 the act charged in the complaint. The director may then vacate the hearing
3 and impose any sanction provided by this article. The director may waive
4 any sanction for good cause shown, including excusable neglect. With
5 respect to any violation of this title or any rule adopted pursuant to this
6 title that is based on the act or omission of a licensee's, REGISTRANT'S,
7 LESSEE'S OR PERMITTEE'S employee, the director shall consider evidence of
8 mitigation presented by the licensee, REGISTRANT, LESSEE OR PERMITTEE and
9 established by a preponderance of the evidence that the employee acted
10 intentionally and in violation of the express direction or policy adopted
11 by the licensee, REGISTRANT, LESSEE OR PERMITTEE and communicated to the
12 employee and that the employee successfully completed training in a course
13 approved by the director pursuant to section 4-112, subsection G,
14 paragraph 2. The director may set the hearing before the director or an
15 administrative law judge on any of the grounds stated in subsection A of
16 this section. Instead of issuing a complaint, the director may provide for
17 informal disposition of the matter by consent agreement or may issue a
18 written warning to the licensee, REGISTRANT, LESSEE OR PERMITTEE. If a
19 warning is issued, the licensee, REGISTRANT, LESSEE OR PERMITTEE may reply
20 in writing and the director shall keep a record of the warning and the
21 reply.

22 H. A hearing shall conform to the requirements of title 41,
23 chapter 6, article 10. At the hearing an attorney or corporate officer or
24 employee of a corporation may represent the corporation. The revoking,
25 suspending or refusing to renew a license, REGISTRATION, LEASE OR PERMIT
26 for unpaid taxes, penalties or interest pursuant to subsection A,
27 paragraph 5 of this section is a contested case with the department of
28 revenue pursuant to section 42-1251.01.

29 I. The expiration, cancellation, revocation, reversion, surrender,
30 acceptance of surrender or termination in any other manner of a license,
31 REGISTRATION, LEASE OR PERMIT does not prevent the initiation or completion

1 of a disciplinary proceeding pursuant to this section against the licensee,
2 REGISTRANT, LESSEE OR PERMITTEE or license, REGISTRATION, LEASE OR PERMIT.
3 An order issued pursuant to a disciplinary proceeding against a license,
4 REGISTRATION, LEASE OR PERMIT is enforceable against other licenses,
5 REGISTRATIONS, LEASES OR PERMITS or subsequent licenses, REGISTRATIONS,
6 LEASES OR PERMITS in which the licensee, REGISTRANT, LESSEE, PERMITTEE or
7 controlling person of the license, REGISTRATION, LEASE OR PERMIT has a
8 controlling interest.

9 J. The department shall provide the same notice as is provided to
10 the licensee, REGISTRANT, LESSEE OR PERMITTEE to a lienholder, which has
11 provided a document under section 4-112, subsection B, paragraph 3, of all
12 disciplinary or compliance action with respect to a license, REGISTRATION,
13 LEASE OR PERMIT issued pursuant to this title. The state is not liable for
14 damages for any failure to provide any notice pursuant to this subsection.

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

19 1. That the lienholder's interest is a bona fide security interest.
20 For the purposes of this paragraph, "bona fide security interest" means the
21 lienholder provides actual consideration to the licensee, REGISTRANT,
22 LESSEE OR PERMITTEE or the licensee's, REGISTRANT'S, LESSEE'S OR
23 PERMITTEE'S predecessor in interest in exchange for the lienholder's
24 interest. Bona fide security interest includes a lien taken by the seller
25 of a license, REGISTRATION, LEASE OR PERMIT as security for the seller's
26 receipt of all or part of the purchase price of the license, REGISTRATION,
27 LEASE OR PERMIT.

28 2. That a statement of legal or equitable interest was filed with
29 the department before the alleged conduct occurred that is the basis for
30 the action against the license, REGISTRATION, LEASE OR PERMIT.

1 3. That the lienholder took reasonable steps to correct the
2 licensee's, REGISTRANT'S, LESSEE'S OR PERMITTEE'S prior actions, if any, or
3 initiated an action pursuant to available contract rights against the
4 licensee, REGISTRANT, LESSEE OR PERMITTEE for the forfeiture of the
5 license, REGISTRATION, LEASE OR PERMIT after being provided with notice by
6 the department of disciplinary action as provided in subsection J of this
7 section.

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

10 5. That the lienholder reasonably attempted to remain informed by
11 the licensee, REGISTRANT, LESSEE OR PERMITTEE about the business's conduct.

12 L. If the director decides not to revoke the license, REGISTRATION,
13 LEASE OR PERMIT based on the circumstances provided in subsection K of this
14 section, the director may issue an order requiring either, or both, of the
15 following:

16 1. The forfeiture of all interest of the licensee, REGISTRANT,
17 LESSEE OR PERMITTEE in the license, REGISTRATION, LEASE OR PERMIT.

18 2. The lienholder to pay any civil monetary penalty imposed on the
19 licensee, REGISTRANT, LESSEE OR PERMITTEE.

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

28 N. The director may consider as a mitigating factor or defense to a
29 complaint against a licensee for a violation of subsection A, paragraph 10
30 or 14 of this section that the licensee acted reasonably, responsibly and
31 as expeditiously as possible by asking for intervention by a peace officer

1 to prevent or to break up a riot, a fight, an altercation or tumultuous
2 conduct."

3 Renumber to conform

4 Page 25, line 17, after "AND" insert "A REGISTRATION PURSUANT TO"

5 Line 18, strike "E" insert "G"

6 Line 20, after "licensee" insert "OR REGISTRANT"

7 Strike lines 24 through 26, insert:

8 "B. THE DIRECTOR MAY REQUIRE A LICENSEE OR REGISTRANT TO PAY A CIVIL
9 PENALTY ASSESSED PURSUANT TO SUBSECTION A OF THIS SECTION IN A SINGLE
10 PAYMENT OR IN INSTALLMENT PAYMENTS."

11 Line 28, after "licensee" insert "OR REGISTRANT"

12 Between lines 29 and 30, insert:

13 "Sec. 11. Section 4-226, Arizona Revised Statutes, is amended to
14 read:

15 4-226. Exemptions

16 ~~The provisions of~~ This title ~~do~~ DOES not apply to THE FOLLOWING:

- 17 1. Drugstores selling spirituous liquors only on prescription.
18 2. Any confectionery candy containing less than five ~~per cent~~
19 PERCENT by weight of alcohol.

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

22 (a) Scientific, chemical, mechanical, industrial and medicinal
23 purposes. For the purposes of this paragraph, medicinal purposes ~~does~~ DO
24 not include ethyl alcohol or spirituous liquor that contains marijuana or
25 usable marijuana as defined in section 36-2801.

26 (b) ~~Use~~ By those authorized to procure spirituous liquor or ethyl
27 alcohol tax-free, as provided by the acts of Congress and regulations
28 promulgated ~~thereunder~~ UNDER THE ACTS OF CONGRESS.

29 (c) In the manufacture of denatured alcohol produced and used as
30 provided by the acts of Congress and regulations promulgated ~~thereunder~~
31 UNDER THE ACTS OF CONGRESS.

1 (d) In the manufacture of patented, patent, proprietary, medicinal,
2 pharmaceutical, antiseptic, toilet, scientific, chemical, mechanical and
3 industrial preparations or products, unfit and not used for beverage
4 purposes.

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

7 4. The purchase, storage, distribution, service or consumption of
8 wine in connection with the bona fide practice of a religious belief or as
9 an integral part of a religious exercise by a church recognized by the
10 United States internal revenue service under section 501(c)(3) of the
11 internal revenue code and in a manner not dangerous to public health or
12 safety. This exemption does not apply to any alleged violation of section
13 4-244, paragraph 9, 34, 35 or 41.

14 5. Beer produced for personal or family use that is not for sale.
15 The beer may be removed from the premises where it was made and exhibited
16 at organized affairs, exhibitions or competitions such as homebrewers'
17 contests, tasting or judging.

18 6. THE MANUFACTURE OR SALE OF BITTERS PRODUCTS THAT HAVE BEEN
19 CLASSIFIED AND APPROVED AS A NONBEVERAGE PRODUCT OR UNFIT FOR BEVERAGE
20 PURPOSES BY THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU.
21 THIS PARAGRAPH IS CONSISTENT WITH THE CLASSIFICATION GUIDELINES AS
22 ESTABLISHED AND ADMINISTERED BY THE UNITED STATES ALCOHOL AND TOBACCO TAX
23 AND TRADE BUREAU."

24 Renumber to conform

25 Page 28, line 11, after "retailer" insert "OR AN ALCOHOL DELIVERY CONTRACTOR"

26 Page 32, line 9, after "BAR" insert "OR LIQUOR STORE"

27 Line 10, after "THAT" insert "LEASES THE PRIVILEGE TO SELL MIXED COCKTAILS FOR
28 CONSUMPTION OFF THE LICENSED PREMISES PURSUANT TO SECTION 4-203.06 OR";
29 after "TO" insert "SECTION 4-203.07 AND"; strike "J" insert "K"

30 Line 16, after "PREMISES" insert "OF THE BAR, LIQUOR STORE OR RESTAURANT"

1 Page 32, line 17, strike "SEALED" insert "TAMPER PROOF SEALED BY THE LICENSEE OR
2 THE LICENSEE'S EMPLOYEE"

3 Line 19, after "BAR'S" insert ", LIQUOR STORE'S"

4 Line 23, strike "FOOD" insert "MENU FOOD ITEMS"

5 Page 34, after line 10, insert:

6 "Sec. 13. Severability clause

7 If a provision of this act or its application to any person or
8 circumstance is held invalid, the invalidity does not affect other
9 provisions or applications of the act that can be given effect without the
10 invalid provisions or application, and to this end the provisions of this
11 act are severable.

12 Sec. 14. Effective date

13 Sections 4-101, 4-203, 4-205.02, 4-206.01, 4-209, 4-210, 4-210.01 and
14 4-244, Arizona Revised Statutes, as amended by this act, and sections
15 4-203.06, 4-203.07 and 4-205.13, Arizona Revised Statutes, as added by this
16 act, are effective from and after September 30, 2021.

17 Sec. 15. Retroactivity

18 Section 4-226, Arizona Revised Statutes, as amended by this act,
19 applies retroactively to July 1, 2020."

20 Amend title to conform

J.D. MESNARD

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