

Senate Engrossed House Bill

~~spirituous liquor; delivery; off-sale permits~~
(now: liquor; delivery; off-sale permits; leases)

State of Arizona
House of Representatives
Fifty-fifth Legislature
First Regular Session
2021

CHAPTER 375
HOUSE BILL 2773

AN ACT

AMENDING SECTIONS 4-101 AND 4-203, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 4-203.06 AND 4-203.07; REPEALING SECTION 4-203.06, ARIZONA REVISED STATUTES; AMENDING SECTION 4-205.02, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 4-205.13; AMENDING SECTIONS 4-206.01, 4-209, 4-210, 4-210.01, 4-226 AND 4-244, ARIZONA REVISED STATUTES; RELATING TO LIQUOR.

(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~~ THAT CONSISTS of a riot, a fight,
8 an altercation or tumultuous conduct and that meets at least one of the
9 following criteria:
10 (i) In which bodily injuries are sustained by any person and the
11 injuries would be obvious to a reasonable person.
12 (ii) Of sufficient intensity as to require the intervention of a
13 peace officer to restore normal order.
14 (iii) In which a weapon is brandished, displayed or used.
15 (iv) ~~Where~~ IN WHICH a licensee or an employee or contractor of the
16 licensee fails to follow a clear and direct lawful order from a law
17 enforcement officer or a fire marshal.
18 (b) Does not include the use of nonlethal devices by a peace
19 officer.
20 2. "Aggrieved party" means a person who resides at, owns or leases
21 property within a one-mile radius of ~~a~~ premises proposed to be licensed
22 and who filed a written request with the department to speak in favor of
23 or opposition to the issuance of the license ~~no~~ NOT later than sixty days
24 after ~~the~~ filing ~~of~~ the application or fifteen days after action by the
25 local governing body, whichever is sooner.
26 3. "Beer" means any beverage obtained by the alcoholic
27 fermentation, infusion or decoction of barley malt, hops, ~~or~~ or other
28 ingredients not drinkable, or any combination of them.
29 4. "Biometric identity verification device" means a device
30 authorized by the department that instantly verifies the identity and age
31 of a person by an electronic scan of a biometric of the person, through a
32 fingerprint, iris image, facial image or other biometric characteristic,
33 or any combination of these characteristics, THAT references the person's
34 identity and age against any record described in section 4-241, subsection
35 K, and THAT meets all of the following conditions:
36 (a) The authenticity of the record was previously verified by an
37 electronic authentication process.
38 (b) The identity of and information about the record holder was
39 previously verified through either:
40 (i) A secondary, electronic authentication process or set of
41 processes ~~utilizing~~ USING commercially available data, such as a public
42 records query or a knowledge-based authentication quiz.
43 (ii) ~~utilizing~~ USING a state or federal government system of ~~record~~
44 RECORDS for digital authentication.

1 (c) The authenticated record was securely linked to biometrics
2 contemporaneously collected from the verified record holder and is stored
3 in a centralized, highly secured, encrypted biometric database.

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

5 6. "Bona fide guest" means:

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

9 (b) In the case of a club that meets the criteria prescribed in
10 paragraph 8, subdivision (a) of this section, a current member of the
11 armed services of the United States who presents proper military
12 identification and any member of a recognized veterans' organization of
13 the United States and of any country allied with the United States during
14 current or past wars or through treaty arrangements.

15 7. "Broken package" means any container of spirituous liquor on
16 which the United States tax seal has been broken or removed, or from which
17 the cap, cork or seal placed ~~thereupon~~ ON THE CONTAINER by the
18 manufacturer has been removed.

19 8. "Club" includes any of the following organizations where the
20 sale of spirituous liquor for consumption on the premises is made only to
21 members, spouses of members, families of members, bona fide guests of
22 members and guests at other events authorized in this title:

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

28 (b) A chapter, aerie, parlor, lodge or other local unit of an
29 American national fraternal organization that has, as the owner, lessee or
30 occupant, operated an establishment for fraternal purposes in this state.
31 An American national fraternal organization as used in this subdivision
32 shall actively operate in at least thirty-six states or have been in
33 active continuous existence for at least twenty years.

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

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

41 (e) A social club ~~with~~ THAT HAS more than one hundred bona fide
42 members who are actual residents of the county in which it is located,
43 that owns, maintains or operates club quarters, that is authorized and
44 incorporated to operate as a nonprofit club under the laws of this state,
45 and that has been continuously incorporated and operating for a period of

1 at least one year. The club shall have had, during this one-year period,
2 a bona fide membership with regular meetings conducted at least once each
3 month, and the membership shall be and shall have been actively engaged in
4 carrying out the objects of the club. The club's membership shall consist
5 of bona fide dues-paying members paying DUES OF at least \$6 per year,
6 payable monthly, quarterly or annually, which have been recorded by the
7 secretary of the club, and the members at the time of application for a
8 club license shall be in good standing having for at least one full year
9 paid dues. At least fifty-one percent of the members shall have signified
10 their intention to secure a social club license by personally signing a
11 petition, on a form prescribed by the board, which shall also include the
12 correct mailing address of each signer. The petition shall not have been
13 signed by a member at a date earlier than one hundred eighty days before
14 the filing of the application. The club shall qualify for exemption from
15 the payment of state income taxes under title 43. It is the intent of
16 this subdivision that a license shall not be granted to a club that is, or
17 has been, primarily formed or activated to obtain a license to sell
18 liquor, but solely to a bona fide club, where the sale of liquor is
19 incidental to the main purposes of the club.

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

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

25 10. "Control" means the power to direct or cause the direction of
26 the management and policies of an applicant or licensee, whether through
27 the ownership of voting securities or a partnership interest, by agreement
28 or otherwise. Control is presumed to exist if a person has the direct or
29 indirect ownership of or power to vote ten percent or more of the
30 outstanding voting securities of the applicant or licensee or to control
31 in any manner the election of one or more of the directors of the
32 applicant or licensee. In the case of a partnership, control is presumed
33 to mean the general partner or a limited partner who holds ten percent or
34 more of the voting rights of the partnership. For the purposes of
35 determining the percentage of voting securities owned, controlled or held
36 by a person, there shall be aggregated with the voting securities
37 attributed to the person the voting securities of an officer, partner,
38 employee or agent of the person or a spouse, parent or child of the
39 person. Control is also presumed to exist if a creditor of the applicant
40 or licensee holds a beneficial interest in ten percent or more of the
41 liabilities of the licensee. The presumptions in this paragraph regarding
42 control are rebuttable.

43 11. "Controlling person" means a person directly or indirectly
44 possessing control of an applicant or licensee.

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

4 13. "Department" means the department of liquor licenses and
5 control.

6 14. "Director" means the director of the department of liquor
7 licenses and control.

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

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

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

24 18. "Government license" means a license to serve and sell
25 spirituous liquor on specified premises available only to a state agency,
26 state board, state commission, county, city, town, community college or
27 state university or the national guard or Arizona coliseum and exposition
28 center on application by the governing body of ~~a~~ THE state agency, state
29 board, state commission, county, city, town, community college or state
30 university or the national guard or Arizona exposition and state fair
31 board.

32 19. "Legal drinking age" means twenty-one years of age or older.

33 20. "License" means a license or an interim retail permit issued
34 pursuant to this title.

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

37 22. "License fees" means fees collected for license issuance,
38 license application, license renewal, interim permit issuance and license
39 transfer between persons or locations.

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

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

4 ~~24.~~ 25. "Microbrewery" means a brewery in the United States or in
5 a territory or possession of the United States that meets the requirements
6 of section 4-205.08.

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

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

29 ~~27.~~ 29. "Permanent occupancy" means the maximum occupancy of the
30 building or facility as set by the office of the state fire marshal for
31 the jurisdiction in which the building or facility is located.

32 ~~28.~~ 30. "Person" includes a partnership, limited liability
33 company, association, company or corporation, as well as a natural person.

34 ~~29.~~ 31. "Premises" or "licensed premises" means the area from
35 which the licensee is authorized to sell, dispense or serve spirituous
36 liquors under the provision of the license. Premises or licensed premises
37 includes a patio that is not contiguous to the remainder of the premises
38 or licensed premises if the patio is separated from the remainder of the
39 premises or licensed premises by a public or private walkway or driveway
40 not to exceed thirty feet, subject to rules the director may adopt to
41 establish criteria for noncontiguous premises.

42 32. "REGISTERED ALCOHOL DELIVERY CONTRACTOR":

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

1 (b) DOES NOT INCLUDE:
2 (i) A MOTOR CARRIER AS DEFINED IN SECTION 28-5201.
3 (ii) AN INDEPENDENT CONTRACTOR, A SUBCONTRACTOR OF AN INDEPENDENT
4 CONTRACTOR, AN EMPLOYEE OF AN INDEPENDENT CONTRACTOR OR AN EMPLOYEE OF A
5 SUBCONTRACTOR AS PROVIDED IN SECTION 4-203, SUBSECTION J.
6 ~~30.~~ 33. "Registered mail" includes certified mail.
7 ~~31.~~ 34. "Registered retail agent" means any person who is
8 authorized pursuant to section 4-222 to purchase spirituous liquors for
9 and on behalf of the person and other retail licensees.
10 ~~32.~~ 35. "Repeated acts of violence" means:
11 (a) For licensed premises with a permanent occupancy of two hundred
12 or fewer persons, two or more acts of violence occurring within seven days
13 or three or more acts of violence occurring within thirty days.
14 (b) For licensed premises with a permanent occupancy of more than
15 two hundred but not more than four hundred persons, four or more acts of
16 violence within thirty days.
17 (c) For licensed premises with a permanent occupancy of more than
18 four hundred but not more than six hundred fifty persons, five or more
19 acts of violence within thirty days.
20 (d) For licensed premises with a permanent occupancy of more than
21 six hundred fifty but not more than one thousand fifty persons, six or
22 more acts of violence within thirty days.
23 (e) For licensed premises with a permanent occupancy of more than
24 one thousand fifty persons, seven or more acts of violence within thirty
25 days.
26 ~~33.~~ 36. "Sell" includes soliciting or receiving an order for,
27 keeping or exposing for sale, directly or indirectly delivering for value,
28 peddling, keeping with intent to sell and trafficking in.
29 ~~34.~~ 37. "Spirituous liquor" includes alcohol, brandy, whiskey,
30 rum, tequila, mescal, gin, wine, porter, ale, beer, any malt liquor or
31 malt beverage, absinthe, a compound or mixture of any of them or of any of
32 them with any vegetable or other substance, alcohol bitters, bitters
33 containing alcohol, any liquid mixture or preparation, whether patented or
34 otherwise, ~~which~~ THAT produces intoxication, fruits preserved in ardent
35 spirits, and beverages containing more than one-half of one percent of
36 alcohol by volume.
37 38. "TAMPER PROOF SEALED" MEANS DESIGNED TO PREVENT CONSUMPTION
38 WITHOUT THE REMOVAL OF A TAMPER-PROOF CAP, SEAL, CORK OR CLOSURE THAT HAS
39 A DEVICE, MECHANISM OR ADHESIVE THAT CLEARLY SHOWS WHETHER A CONTAINER HAS
40 BEEN OPENED.
41 ~~35.~~ 39. "Vehicle" means any means of transportation by land, water
42 or air, and includes everything made use of in any way for such
43 transportation.

1 ~~36.~~ 40. "Vending machine" means a machine that dispenses
2 merchandise through the means of coin, token, credit card or other
3 nonpersonal means of accepting payment for merchandise received.

4 ~~37.~~ 41. "Veteran" means a person who has served in the United
5 States air force, army, navy, marine corps or coast guard, as an active
6 nurse in the services of the American red cross, in the army and navy
7 nurse corps in time of war, or in any expedition of the armed forces of
8 the United States, and who has received a discharge other than
9 dishonorable.

10 ~~38.~~ 42. "Voting security" means any security presently entitling
11 the owner or holder of the security to vote for the election of directors
12 of an applicant or a licensee.

13 ~~39.~~ 43. "Wine" means the product obtained by the fermentation of
14 grapes, other agricultural products containing natural or added sugar or
15 cider or any such alcoholic beverage fortified with grape brandy and
16 containing not more than twenty-four percent of alcohol by volume.

17 Sec. 2. Section 4-203, Arizona Revised Statutes, is amended to
18 read:

19 4-203. Licenses; issuance; transfer; reversion to state

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

38 B. The license shall be to manufacture, sell or deal in spirituous
39 liquors only at the place and in the manner provided in the license. A
40 separate license shall be issued for each specific business, and each
41 shall specify:

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

44 2. The place of business for which issued.

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

1 C. A spirituous liquor license issued to a bar, a liquor store or a
2 beer and wine bar shall be transferable as to any permitted location
3 within the same county, if the transfer meets the requirements of an
4 original application. A spirituous liquor license may be transferred to a
5 person qualified to be a licensee, if the transfer is pursuant to either
6 judicial decree, nonjudicial foreclosure of a legal or equitable lien,
7 including security interests held by financial institutions pursuant to
8 section 4-205.05, a sale of the license, a bona fide sale of the entire
9 business and stock in trade, or other bona fide transactions that are
10 provided for by rule. Any change in ownership of the business of a
11 licensee, directly or indirectly, as defined by rule is deemed a transfer,
12 except that there is no transfer if a new artificial person is added to
13 the ownership of a licensee's business but the controlling persons remain
14 identical to the controlling persons that have been previously disclosed
15 to the director as part of the licensee's existing ownership.

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

25 E. A person who assigns, surrenders, transfers or sells control of
26 a liquor license or business that has a spirituous liquor license shall
27 notify the director within thirty business days after the assignment,
28 surrender, transfer or sale. A spirituous liquor license shall not be
29 leased or subleased. A concession agreement entered into under section
30 4-205.03 is not considered a lease or sublease in violation of this
31 section.

32 F. If a person other than those persons originally licensed
33 acquires control over a license or licensee, the person shall file notice
34 of the acquisition with the director within thirty business days after the
35 acquisition of control and a list of officers, directors or other
36 controlling persons on a form prescribed by the director. There is no
37 acquisition of control if a new person is added to the ownership of a
38 licensee's business but the controlling persons remain identical to the
39 controlling persons that have been previously disclosed to the director as
40 part of the licensee's existing ownership. All officers, directors or
41 other controlling persons shall meet the qualifications for licensure as
42 prescribed by this title. On request, the director shall conduct a
43 preinvestigation before the assignment, sale or transfer of control of a
44 license or licensee, the reasonable costs of which, not more than \$1,000,
45 shall be borne by the applicant. The preinvestigation shall determine

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

30 G. A licensee who holds a license in nonuse status for more than
31 five months shall be required to pay a \$100 surcharge for each month
32 thereafter. The surcharge shall be paid at the time the license is
33 returned to active status. A license automatically reverts to the state
34 after being held in continuous nonuse for more than thirty-six
35 months. The director may waive the surcharge and may extend the time
36 period provided in this subsection for good cause if the licensee files a
37 written request for an extension of time to place the license in active
38 status before the date of the automatic reversion. A license shall not be
39 deemed to have gone into active status if the license is transferred to a
40 location that at the time of or immediately before the transfer had an
41 active license of the same type, unless the licenses are under common
42 ownership or control.

43 H. A restructuring of a licensee's business is not an acquisition
44 of control, a transfer of a spirituous liquor license or the issuance of a
45 new spirituous liquor license if both of the following apply:

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

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

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

9 J. Notwithstanding subsection B of this section, the holder of a
10 retail license in this state having off-sale privileges, ~~EXCEPT A BAR,~~
11 ~~BEER AND WINE BAR OR RESTAURANT LICENSEE,~~ may take orders by telephone,
12 mail, fax, ~~OR~~ catalog, through the internet or by other means for the
13 sale and delivery of spirituous liquor off of the licensed premises to a
14 person in this state in connection with the sale of spirituous liquor.
15 Notwithstanding the definition of "sell" ~~PRESCRIBED~~ in section 4-101, the
16 placement of an order and payment pursuant to this section is not a sale
17 until delivery has been made. At the time that the order is placed, the
18 licensee shall inform the purchaser that state law requires a purchaser of
19 spirituous liquor to be at least twenty-one years of age and that the
20 person accepting delivery of the spirituous liquor is required to comply
21 with this state's age identification requirements as prescribed in section
22 4-241, subsections A and K. The licensee may maintain a delivery service
23 and may contract with one or more independent contractors, that may also
24 contract with one or more independent contractors, or may contract with a
25 common carrier for delivery of spirituous liquor if the spirituous liquor
26 is loaded for delivery at the premises of the retail licensee in this
27 state and delivered in this state. All containers of spirituous liquor
28 delivered pursuant to this subsection shall be conspicuously labeled with
29 the words "contains alcohol, signature of person who is twenty-one years
30 of age or older is required for delivery". The licensee is responsible
31 for any violation of this title or any rule adopted pursuant to this title
32 that is committed in connection with any sale or delivery of spirituous
33 liquor. Delivery must be made by an employee of the licensee or other
34 authorized person as provided by this section who is at least twenty-one
35 years of age to a customer who is at least twenty-one years of age and who
36 displays an identification at the time of delivery that complies with
37 section 4-241, subsection K. The retail licensee shall collect payment
38 for the full price of the spirituous liquor from the purchaser before the
39 product leaves the licensed premises. The director shall adopt rules that
40 set operational limits for the delivery of spirituous liquors by the
41 holder of a retail license having off-sale privileges. With respect to
42 the delivery of spirituous liquor, for any violation of this title or any
43 rule adopted pursuant to this title that is based on the act or omission
44 of a licensee's employee or other authorized person, the mitigation
45 ~~provisions~~ ~~PROVISION~~ of section 4-210, subsection G ~~apply~~ ~~APPLIES~~, with

1 the exception of the training requirement. For the purposes of this
2 subsection and notwithstanding the definition of "sell" prescribed in
3 section 4-101, section 4-241, subsections A and K apply only at the time
4 of delivery. For the purposes of compliance with this subsection, an
5 independent contractor, a subcontractor of an independent contractor, the
6 employee of an independent contractor or the employee of a subcontractor
7 is deemed to be acting on behalf of the licensee when making a delivery of
8 spirituous liquor for the licensee.

9 K. Except as provided in subsection J of this section, Arizona
10 licensees may transport spirituous liquors for themselves in vehicles
11 owned, leased or rented by the licensee.

12 L. Notwithstanding subsection B of this section, an off-sale retail
13 licensee may provide consumer tasting of wines off of the licensed
14 premises subject to all applicable provisions of section 4-206.01.

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

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

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

30 P. If the licensee's interest is forfeited pursuant to section
31 4-210, subsection L, the location shall requalify for a license pursuant
32 to subsection A of this section and shall meet the same qualifications
33 required for issuance of a new license except when a bona fide lienholder
34 demonstrates mitigation pursuant to section 4-210, subsection K.

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

37 R. For any sale of a farm winery or craft distiller or change in
38 ownership of a farm winery or craft distiller directly or indirectly, the
39 business, stock-in-trade and spirituous liquor may be transferred with the
40 ownership, in compliance with the applicable requirements of this title.

41 S. NOTWITHSTANDING SUBSECTION B OF THIS SECTION, BAR, BEER AND WINE
42 BAR, LIQUOR STORE, BEER AND WINE STORE OR RESTAURANT LICENSEES IN THIS
43 STATE MAY TAKE ORDERS BY TELEPHONE, MAIL, FAX OR CATALOG, THROUGH THE
44 INTERNET OR BY OTHER MEANS FOR THE SALE AND DELIVERY OF SPIRITUOUS LIQUOR
45 OFF THE LICENSED PREMISES AS FOLLOWS:

- 1 1. BAR LICENSEES FOR BEER, WINE, DISTILLED SPIRITS AND MIXED
2 COCKTAILS.
- 3 2. BEER AND WINE BAR LICENSEES FOR BEER AND WINE.
- 4 3. LIQUOR STORE LICENSEES FOR BEER, WINE, DISTILLED SPIRITS AND
5 MIXED COCKTAILS.
- 6 4. BEER AND WINE STORE LICENSEES FOR BEER AND WINE.
- 7 5. RESTAURANT LICENSEES FOR ANY OF THE FOLLOWING:
 - 8 (a) MIXED COCKTAILS, WITH THE SALE OF MENU FOOD ITEMS FOR
9 CONSUMPTION ON OR OFF THE LICENSED PREMISES, IF THE RESTAURANT HOLDS A
10 PERMIT ISSUED PURSUANT TO SECTION 4-205.02, SUBSECTION K AND SECTION
11 4-203.07 OR A LEASE PURSUANT TO SECTION 4-203.06.
 - 12 (b) BEER IF THE RESTAURANT HOLDS A PERMIT ISSUED PURSUANT TO
13 SECTION 4-205.02, SUBSECTION H.
 - 14 (c) BEER, WINE AND DISTILLED SPIRITS IF THE RESTAURANT HOLDS AN
15 OFF-SALE PRIVILEGES LEASE WITH A BAR OR LIQUOR STORE PURSUANT TO SECTION
16 4-203.07.
 - 17 (d) BEER AND WINE IF THE RESTAURANT HOLDS AN OFF-SALE PRIVILEGES
18 LEASE WITH A BEER AND WINE BAR PURSUANT TO SECTION 4-203.07.
- 19 T. NOTWITHSTANDING THE DEFINITION OF "SELL" PRESCRIBED IN SECTION
20 4-101, PLACING AN ORDER AND PAYING FOR THAT ORDER PURSUANT TO SUBSECTION S
21 OF THIS SECTION IS NOT A SALE UNTIL DELIVERY HAS BEEN MADE. AT THE TIME
22 THAT THE ORDER IS PLACED, THE LICENSEE SHALL INFORM THE PURCHASER THAT
23 STATE LAW REQUIRES A PURCHASER OF SPIRITUOUS LIQUOR TO BE AT LEAST
24 TWENTY-ONE YEARS OF AGE AND THAT THE PERSON ACCEPTING DELIVERY OF THE
25 SPIRITUOUS LIQUOR IS REQUIRED TO COMPLY WITH THIS STATE'S AGE
26 IDENTIFICATION REQUIREMENTS AS PRESCRIBED IN SECTION 4-241, SUBSECTIONS A
27 AND K. THE LICENSEE MAY MAINTAIN A DELIVERY SERVICE AND MAY CONTRACT WITH
28 ONE OR MORE ALCOHOL DELIVERY CONTRACTORS REGISTERED PURSUANT TO SECTION
29 4-205.13 FOR DELIVERY OF SPIRITUOUS LIQUOR IF THE SPIRITUOUS LIQUOR IS
30 PACKAGED AND TAMPER PROOF SEALED BY THE BAR, BEER AND WINE BAR, LIQUOR
31 STORE, BEER AND WINE STORE OR RESTAURANT LICENSEE OR THE LICENSEE'S
32 EMPLOYEE AND IS LOADED FOR DELIVERY AT THE PREMISES OF THE RESTAURANT,
33 BEER AND WINE BAR, LIQUOR STORE, BEER AND WINE STORE OR BAR LICENSEE IN
34 THIS STATE AND DELIVERED IN THIS STATE ON THE SAME BUSINESS DAY. A LIQUOR
35 STORE OR BEER AND WINE STORE LICENSEE MAY CONTRACT WITH ONE OR MORE
36 INDEPENDENT CONTRACTORS AS PROVIDED IN SUBSECTION J OF THIS SECTION FOR
37 DELIVERY OF SPIRITUOUS LIQUOR IF THE SPIRITUOUS LIQUOR IS LOADED FOR
38 DELIVERY AT THE PREMISES OF THE LIQUOR STORE OR BEER AND WINE STORE
39 LICENSEE IN THIS STATE AND DELIVERED IN THIS STATE ON THE SAME BUSINESS
40 DAY. ALL CONTAINERS OF SPIRITUOUS LIQUOR DELIVERED PURSUANT TO SUBSECTION
41 S OF THIS SECTION SHALL BE TAMPER PROOF SEALED AND CONSPICUOUSLY LABELED
42 WITH THE WORDS "CONTAINS ALCOHOL, SIGNATURE OF PERSON WHO IS TWENTY-ONE
43 YEARS OF AGE OR OLDER IS REQUIRED FOR DELIVERY". THE LICENSEE IS
44 RESPONSIBLE FOR ANY VIOLATION OF THIS TITLE OR ANY RULE ADOPTED PURSUANT
45 TO THIS TITLE THAT IS COMMITTED IN CONNECTION WITH ANY SALE OR DELIVERY OF

1 SPIRITUOUS LIQUOR. DELIVERY MUST BE MADE BY AN EMPLOYEE OF THE LICENSEE
2 OR AN EMPLOYEE OR AUTHORIZED INDEPENDENT CONTRACTOR OF A REGISTERED
3 ALCOHOL DELIVERY CONTRACTOR AS PROVIDED BY THIS SECTION WHO IS AT LEAST
4 TWENTY-ONE YEARS OF AGE AND DELIVERY MUST BE MADE TO A CUSTOMER WHO IS AT
5 LEAST TWENTY-ONE YEARS OF AGE AND WHO DISPLAYS AN IDENTIFICATION AT THE
6 TIME OF DELIVERY THAT COMPLIES WITH SECTION 4-241, SUBSECTION K. THE
7 RESTAURANT, BEER AND WINE BAR, LIQUOR STORE, BEER AND WINE STORE OR BAR
8 LICENSEE SHALL COLLECT PAYMENT FOR THE FULL PRICE OF THE SPIRITUOUS LIQUOR
9 FROM THE PURCHASER BEFORE THE PRODUCT LEAVES THE LICENSED PREMISES. THE
10 DIRECTOR SHALL ADOPT RULES THAT SET OPERATIONAL LIMITS FOR THE DELIVERY OF
11 SPIRITUOUS LIQUOR PURSUANT TO THIS SUBSECTION AND SUBSECTION S OF THIS
12 SECTION WITH RESPECT TO THE DELIVERY OF SPIRITUOUS LIQUOR. FOR ANY
13 VIOLATION OF THIS TITLE OR ANY RULE ADOPTED PURSUANT TO THIS TITLE THAT IS
14 BASED ON THE ACT OR OMISSION OF A LICENSEE'S EMPLOYEE OR A REGISTERED
15 ALCOHOL DELIVERY CONTRACTOR, THE MITIGATION PROVISION OF SECTION 4-210,
16 SUBSECTION G APPLIES, WITH THE EXCEPTION OF THE TRAINING REQUIREMENT. FOR
17 THE PURPOSES OF THIS SUBSECTION AND NOTWITHSTANDING THE DEFINITION OF
18 "SELL" PRESCRIBED IN SECTION 4-101, SECTION 4-241, SUBSECTIONS A AND K
19 APPLY ONLY AT THE TIME OF DELIVERY. AN ALCOHOL DELIVERY CONTRACTOR, A
20 SUBCONTRACTOR OF AN ALCOHOL DELIVERY CONTRACTOR, AN EMPLOYEE OF AN ALCOHOL
21 DELIVERY CONTRACTOR OR AN EMPLOYEE OF A SUBCONTRACTOR IS DEEMED TO BE
22 ACTING ON BEHALF OF THE LICENSEE WHEN MAKING A DELIVERY OF SPIRITUOUS
23 LIQUOR FOR THE LICENSEE. FOR THE PURPOSES OF THIS SUBSECTION, "BUSINESS
24 DAY" MEANS BETWEEN THE HOURS OF 6:00 A.M. OF ONE DAY AND 2:00 A.M. OF THE
25 NEXT DAY.

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

28 4-203.06. Mixed cocktails; off-sale privileges; leases; fees

29 A. NOTWITHSTANDING SECTION 4-203, SUBSECTION E AND SECTION 4-210,
30 SUBSECTION A, PARAGRAPH 6, THROUGH DECEMBER 31, 2025, BAR AND LIQUOR STORE
31 LICENSEES, THROUGH THE DEPARTMENT, SHALL LEASE TO RESTAURANT LICENSEES THE
32 PRIVILEGE OF SELLING MIXED COCKTAILS FOR CONSUMPTION OFF THE LICENSED
33 PREMISES IN ACCORDANCE WITH SECTION 4-244, PARAGRAPH 32, SUBDIVISION (d).
34 THE LEASE SHALL BE FOR A PERIOD OF ONE YEAR AND SHALL BE RENEWABLE FOR
35 SUCCESSIVE TERMS OF ONE YEAR. THE DEPARTMENT SHALL ESTABLISH A LEASE
36 AMOUNT THAT FAIRLY RECOGNIZES, AND IS DERIVED FROM, THE COMMERCIAL VALUE
37 OF THE PRIVILEGE TO SELL MIXED COCKTAILS FOR CONSUMPTION OFF THE LICENSED
38 PREMISES.

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

41 1. A RESTAURANT LICENSEE MAY APPLY TO THE DEPARTMENT ON A FORM
42 PRESCRIBED AND PROVIDED BY THE DEPARTMENT FOR A LEASE PURSUANT TO THIS
43 SECTION. THE DEPARTMENT MAY ESTABLISH AND CHARGE AN APPLICATION FEE FOR
44 ADMINISTRATIVE AND ENFORCEMENT COSTS ASSOCIATED WITH THIS SECTION.

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

5 3. THE DEPARTMENT SHALL ESTABLISH A PROCESS TO FACILITATE AND
6 APPROVE THE LEASE CONVEYANCE AND TO GOVERN THE LEASES, INCLUDING THE
7 FOLLOWING:

8 (a) A STANDARD FORM OF LEASE.

9 (b) THE TERM OF THE LEASE, WHICH SHALL BE ONE YEAR EXCEPT FOR THE
10 FIRST YEAR OF THE LEASE. DURING THE FIRST YEAR OF THE LEASE, THE DIRECTOR
11 MAY SET A LEASE TERM THAT IS LESS THAN A YEAR IN ORDER TO ALIGN THE LEASE
12 RENEWAL DATE WITH THE RENEWAL DATE OF THE RESTAURANT LICENSE. THE LEASE
13 PAYMENT AMOUNT FOR THE FIRST YEAR MAY BE PRORATED.

14 (c) THE AMOUNT OF THE LEASE ESTABLISHED BY THE DIRECTOR PURSUANT TO
15 SUBSECTION A OF THIS SECTION.

16 (d) THE RESPONSIBILITIES OF THE LESSOR AND LESSEE.

17 (e) THE LEASE MAY BE TRANSFERRED TO ANOTHER RESTAURANT LICENSEE IF
18 A NEW RESTAURANT LICENSEE PURCHASES THE BUSINESS OF THE ORIGINAL LESSEE
19 DURING THE TERM OF THE LEASE.

20 (f) THE PRIVILEGES CONVEYED TO THE LESSEE DURING THE TERM OF THE
21 LEASE WILL CONTINUE IF THE BAR OR LIQUOR STORE LESSOR HAS ITS LICENSE
22 SUSPENDED OR REVOKED.

23 (g) IF THE BAR OR LIQUOR STORE LESSOR SELLS ITS LICENSE DURING THE
24 TERM OF THE LEASE, THE PURCHASER OF THE BAR OR LIQUOR STORE LICENSE
25 BECOMES THE NEW LESSOR.

26 (h) THIS TITLE AND RULES ADOPTED PURSUANT TO THIS TITLE APPLY TO
27 BOTH THE LESSOR AND LESSEE.

28 (i) DURING THE TERM OF THE LEASE, ALL VIOLATIONS AND LIABILITY FOR
29 LIQUOR SERVICE UNDER THE LEASE SHALL BE ATTRIBUTED ONLY TO THE RESTAURANT
30 LICENSEE LEASING THE MIXED COCKTAIL OFF-SALE PRIVILEGE. THE RESTAURANT
31 LICENSEE LEASING THE OFF-SALE PRIVILEGE IS NOT RESPONSIBLE FOR VIOLATIONS
32 COMMITTED BY THE LESSOR.

33 4. THE DIRECTOR MAY DENY APPROVAL OF A LEASE BASED ON THE PROPOSED
34 LOCATION OR HISTORY OF THE PROPOSED LESSEE.

35 5. THE RESTAURANT LICENSEE SHALL PAY TO THE DEPARTMENT ALL LEASE
36 PAYMENTS IN FULL IN ADVANCE.

37 6. THE DEPARTMENT OF LIQUOR LICENSES AND CONTROL MAY ADOPT A
38 PROCEDURE TO PAY THE LEASE AMOUNT TO THE LESSOR AND MAY USE THE DEPARTMENT
39 OF ADMINISTRATION TO FACILITATE THE PAYMENTS.

40 7. DURING THE TERM OF THE LEASE, ALL VIOLATIONS AND LIABILITY FOR
41 THE LIQUOR SERVICE UNDER THE LEASE SHALL BE ATTRIBUTED ONLY TO THE
42 RESTAURANT LICENSEE LEASING THE PRIVILEGE. PURSUANT TO SECTION 4-210, THE
43 DIRECTOR MAY IMMEDIATELY SUSPEND A LEASE FOR ANY VIOLATION OF THIS TITLE
44 OR ANY RULE ADOPTED PURSUANT TO THIS TITLE BY THE RESTAURANT LICENSEE.

1 THE RESTAURANT LICENSEE LEASING THE OFF-SALE PRIVILEGE IS NOT RESPONSIBLE
2 FOR VIOLATIONS COMMITTED BY THE LESSOR.

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

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

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

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

17 4-203.07. Off-sale privileges; leases; mixed cocktails;
18 permits; fees

19 A. NOTWITHSTANDING SECTION 4-203, SUBSECTION E AND SECTION 4-210,
20 SUBSECTION A, PARAGRAPH 6, A BAR, BEER AND WINE BAR AND LIQUOR STORE
21 LICENSEE MAY LEASE THE OFF-SALE PRIVILEGES ASSOCIATED WITH THE LICENSEE'S
22 LICENSE, EXCEPT THE PRIVILEGE TO SELL MIXED COCKTAILS FOR OFF-PREMISES
23 CONSUMPTION PURSUANT TO SECTION 4-244, PARAGRAPH 32, SUBDIVISION (d), TO A
24 RESTAURANT LICENSEE. THE LEASE SHALL BE FOR A PERIOD OF ONE YEAR AND MAY
25 BE RENEWABLE FOR SUCCESSIVE TERMS OF ONE YEAR. THE OFF-SALE PRIVILEGES OF
26 A BAR, BEER AND WINE BAR OR LIQUOR STORE LICENSE THAT ARE HELD IN NON-USE
27 STATUS MAY ALSO BE LEASED PURSUANT TO THIS SECTION.

28 B. LEASES MADE PURSUANT TO THIS SECTION ARE SUBJECT TO THE
29 FOLLOWING CONDITIONS:

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

34 2. A RESTAURANT LICENSEE MAY APPLY TO THE DEPARTMENT FOR APPROVAL
35 OF A LEASE AT LEAST THIRTY DAYS BEFORE THE END OF THE LEASE WINDOW. THE
36 RESTAURANT LICENSEE SHALL PROVIDE A COMPLETED LEASE AGREEMENT SIGNED BY
37 BOTH THE LESSOR AND LESSEE. THE DEPARTMENT MAY ESTABLISH AND CHARGE AN
38 APPLICATION FEE FOR ADMINISTRATIVE AND ENFORCEMENT COSTS ASSOCIATED WITH
39 THIS SECTION.

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

1 4. THE DEPARTMENT SHALL ESTABLISH A PROCESS TO FACILITATE AND
2 APPROVE THE LEASE CONVEYANCE AND TO GOVERN THE LEASES, INCLUDING THE
3 FOLLOWING:

4 (a) A STANDARD FORM OF LEASE.

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

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

10 (d) THE LEASE MAY BE TRANSFERRED TO ANOTHER RESTAURANT LICENSEE IF
11 THE NEW RESTAURANT LICENSEE PURCHASES THE BUSINESS OF THE ORIGINAL LESSEE
12 DURING THE TERM OF THE LEASE.

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

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

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

21 (h) 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 PRIVILEGE. THE RESTAURANT LICENSEE LEASING THE
24 OFF-SALE PRIVILEGE IS NOT RESPONSIBLE FOR VIOLATIONS COMMITTED BY THE
25 LESSOR.

26 5. THE RESTAURANT LICENSEE SHALL PAY TO THE DEPARTMENT ALL LEASE
27 PAYMENTS IN FULL IN ADVANCE.

28 6. THE DEPARTMENT OF LIQUOR LICENSES AND CONTROL MAY ADOPT A
29 PROCEDURE TO PAY THE LEASE AMOUNT TO THE LESSOR AND MAY USE THE DEPARTMENT
30 OF ADMINISTRATION TO FACILITATE THE PAYMENTS.

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

38 8. DURING THE TERM OF THE LEASE, A BAR, BEER AND WINE BAR OR LIQUOR
39 STORE LESSOR MAY NOT SELL SPIRITUOUS LIQUOR FOR OFF-PREMISES CONSUMPTION,
40 EXCEPT A BAR OR LIQUOR STORE LICENSEE MAY SELL MIXED COCKTAILS FOR
41 OFF-PREMISES CONSUMPTION PURSUANT TO SECTION 4-244, PARAGRAPH 32,
42 SUBDIVISION (d).

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

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

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

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

18 Sec. 4. Delayed repeal

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

21 Sec. 5. Section 4-205.02, Arizona Revised Statutes, is amended to
22 read:

23 4-205.02. Restaurant license; issuance; regulatory
24 provisions; expiration; off-sale permit; fee;
25 definitions

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

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

37 C. The holder of a restaurant license may sell and serve spirituous
38 liquors solely for consumption on the licensed premises. For the purpose
39 of this subsection, "licensed premises" may include rooms, areas or
40 locations in which the restaurant normally sells or serves spirituous
41 liquors pursuant to regular operating procedures and practices and that
42 are contiguous to the restaurant or a noncontiguous patio pursuant to
43 section 4-101, paragraph ~~29~~ 31. For the purposes of this subsection, a
44 restaurant licensee must submit proof of tenancy or permission from the

1 landowner or lessor for all property to be included in the licensed
2 premises.

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

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

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

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

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

1 director may charge a fee for processing the application for the permit
2 and a renewal fee.

3 I. Notwithstanding any rule adopted by the department, business
4 establishments that relied on a form issued by the department that
5 provides for a small restaurant exemption for fifty or fewer seats before
6 January 31, 2019, are allowed to continue to maintain the capacity of
7 fifty or fewer seats for the duration of the business. The rights of a
8 business establishment subject to this section are not transferable.

9 J. NOTWITHSTANDING SECTION 4-207, SECTION 4-203, SUBSECTION E AND
10 SECTION 4-210, SUBSECTION A, PARAGRAPH 6, THROUGH DECEMBER 31, 2025, A
11 RESTAURANT APPLICANT OR LICENSEE MAY APPLY TO THE DEPARTMENT FOR A LEASE
12 FOR THE PRIVILEGE OF SELLING MIXED COCKTAILS FOR CONSUMPTION OFF THE
13 LICENSED PREMISES PURSUANT TO SECTION 4-203.06 AND SECTION 4-244,
14 PARAGRAPH 32, SUBDIVISION (d).

15 K. NOTWITHSTANDING SECTION 4-207, BEGINNING JANUARY 1, 2026, A
16 RESTAURANT APPLICANT OR LICENSEE MAY APPLY FOR A PERMIT TO ALLOW THE SALE
17 OF MIXED COCKTAILS FOR CONSUMPTION OFF THE LICENSED PREMISES PURSUANT TO
18 SECTION 4-203.07 AND SECTION 4-244, PARAGRAPH 32, SUBDIVISION (d), ON A
19 FORM PRESCRIBED AND FURNISHED BY THE DIRECTOR. THE SALE OF MIXED
20 COCKTAILS FOR CONSUMPTION OFF THE LICENSED PREMISES MUST BE ACCOMPANIED BY
21 THE SALE OF MENU FOOD ITEMS FOR CONSUMPTION ON OR OFF THE LICENSED
22 PREMISES. THE DEPARTMENT SHALL ISSUE THE PERMIT ONLY AFTER THE DIRECTOR
23 HAS DETERMINED THAT THE PUBLIC CONVENIENCE REQUIRES AND THAT THE BEST
24 INTEREST OF THE COMMUNITY WILL BE SUBSTANTIALLY SERVED BY ISSUING THE
25 PERMIT. ALL PERMIT HOLDERS AND THEIR EMPLOYEES, MANAGERS AND AGENTS MUST
26 COMPLETE ALCOHOL TRAINING PURSUANT TO SECTION 4-112, SUBSECTION G,
27 PARAGRAPH 2. AFTER THE DEPARTMENT ISSUES THE PERMIT, THE PERMIT SHALL BE
28 NOTED ON THE LICENSE ITSELF AND IN THE RECORDS OF THE DEPARTMENT. THE
29 DIRECTOR MAY ESTABLISH AND CHARGE A FEE FOR PROCESSING THE PERMIT
30 APPLICATION AND A RENEWAL FEE.

31 L. A RESTAURANT LICENSEE SHALL CEASE SELLING SPIRITUOUS LIQUOR,
32 INCLUDING MIXED COCKTAILS, FOR OFF-PREMISES CONSUMPTION WHEN THE LICENSEE
33 CEASES REGULAR KITCHEN SERVICE FOR FOOD.

34 ~~J.~~ M. For the purposes of this section:

35 1. "Gross revenue":

36 (a) Means the revenue derived from all sales of food and spirituous
37 liquor on the licensed premises, regardless of whether the sales of
38 spirituous liquor are made under a restaurant license issued pursuant to
39 this section or under any other license that has been issued for the
40 premises pursuant to this article.

41 (b) INCLUDES REVENUE DERIVED FROM SPIRITUOUS LIQUOR SOLD FOR
42 OFF-SALE CONSUMPTION.

43 2. "Restaurant" means an establishment that derives at least forty
44 percent of its gross revenue from the sale of food, including sales of
45 food for consumption off the licensed premises if the amount of these

1 sales included in the calculation of gross revenue from the sale of food
2 does not exceed fifteen percent of all gross revenue of the restaurant.

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

5 4-205.13. Registered alcohol delivery contractor; issuance;
6 fee; regulatory provisions

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

12 B. A PERSON SHALL APPLY TO BE A REGISTERED ALCOHOL DELIVERY
13 CONTRACTOR ON A FORM PRESCRIBED BY THE DIRECTOR. THE DIRECTOR SHALL
14 REQUIRE AN APPLICANT TO PROVIDE THE CONTROLLING PERSON'S IDENTIFICATION
15 AND ANY BACKGROUND INFORMATION DEEMED NECESSARY TO IDENTIFY THE PERSON AND
16 TO DEMONSTRATE PROOF OF THE PERSON'S AUTHORITY TO CONDUCT BUSINESS IN THIS
17 STATE, INCLUDING COPIES OF ANY REQUIRED STATE OR LOCAL BUSINESS LICENSES
18 OR PERMITS. THE DIRECTOR MAY ESTABLISH AND CHARGE A REGISTRATION FEE AND
19 A RENEWAL FEE TO BE USED FOR ADMINISTRATIVE AND ENFORCEMENT COSTS
20 ASSOCIATED WITH ALCOHOL DELIVERY CONTRACTORS.

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

24 D. THE DEPARTMENT MAY REQUIRE NEW REGISTERED ALCOHOL DELIVERY
25 CONTRACTORS TO COMPLETE AN APPROVED TRAINING COURSE IN ACCORDANCE WITH
26 SECTION 4-112, SUBSECTION G, PARAGRAPH 2. A REGISTERED ALCOHOL DELIVERY
27 CONTRACTOR IS SUBJECT TO EXAMINATIONS CONDUCTED PURSUANT TO SECTION 4-112,
28 SUBSECTION G, PARAGRAPH 1.

29 E. THE DIRECTOR MAY REFUSE TO REGISTER A PERSON AS AN ALCOHOL
30 DELIVERY CONTRACTOR FOR GOOD CAUSE AND MAY NOT REGISTER ANY PERSON AS AN
31 ALCOHOL DELIVERY CONTRACTOR IF THE PERSON HAS BEEN CONVICTED OF A FELONY
32 IN THIS STATE OR ANY OTHER STATE WITHIN FIVE YEARS IMMEDIATELY PRECEDING
33 THE APPLICATION.

34 F. A REGISTERED ALCOHOL DELIVERY CONTRACTOR MAY DELIVER SPIRITUOUS
35 LIQUOR TO A CONSUMER IN THIS STATE ON BEHALF OF A BAR, BEER AND WINE BAR,
36 LIQUOR STORE, BEER AND WINE STORE OR RESTAURANT IN THIS STATE PURSUANT TO
37 SECTION 4-203, SUBSECTIONS S AND T, IF THE REGISTERED ALCOHOL DELIVERY
38 CONTRACTOR COMPLIES WITH THIS TITLE. A REGISTERED ALCOHOL DELIVERY
39 CONTRACTOR MAY CONTRACT WITH ONE OR MORE INDEPENDENT SUBCONTRACTORS FOR
40 THE DELIVERY OF SPIRITUOUS LIQUOR TO A CONSUMER IN THIS STATE ON BEHALF OF
41 A BAR, BEER AND WINE BAR, LIQUOR STORE, BEER AND WINE STORE OR RESTAURANT
42 IN THIS STATE PURSUANT TO SECTION 4-203, SUBSECTIONS S AND T. AN ALCOHOL
43 DELIVERY CONTRACTOR, A SUBCONTRACTOR OF AN ALCOHOL DELIVERY CONTRACTOR, AN
44 EMPLOYEE OF AN ALCOHOL DELIVERY CONTRACTOR OR AN EMPLOYEE OF A

1 SUBCONTRACTOR IS DEEMED TO BE ACTING ON BEHALF OF THE LICENSEE WHEN MAKING
2 A DELIVERY OF SPIRITUOUS LIQUOR FOR THE LICENSEE.

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

13 Sec. 7. Section 4-206.01, Arizona Revised Statutes, is amended to
14 read:

15 4-206.01. Bar, beer and wine bar or liquor store licenses;
16 number permitted; fee; sampling privileges;
17 off-sale permit

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

21 B. In each county, the director, each year, shall issue additional
22 bar or liquor store licenses at the rate of one of each type for each
23 additional ten thousand person increase over the population in that county
24 as of July 1, 2010. For every license that has been revoked or reverted
25 in any county, the director may issue a new license of the same series in
26 the same county, except that if there are more than five licenses of a
27 particular class, the director may issue five new licenses plus an
28 additional number of new licenses equivalent to twenty percent of the
29 difference between the number of revoked or reverted licenses per year and
30 five. The director may waive the issuance of licenses in a county for one
31 year where there has been no request made to the department for the
32 issuance of a new license of that series. For the purposes of this
33 subsection, the population of a county is deemed to be the population
34 estimated by the office of economic opportunity as of July 1 of each year.

35 C. In each county, the director, each year, shall issue additional
36 beer and wine bar licenses at the rate of one for each additional five
37 thousand person increase over the population in that county as of July 1,
38 2010. Beginning January 1, 2022, in each county, the director, each year,
39 shall issue additional beer and wine bar licenses at the rate of one for
40 each additional ten thousand person increase over the population in that
41 county as of July 1, 2010. For every license that has been revoked or
42 reverted in any county, the director may issue a new license of the same
43 series in the same county, except that if there are more than five
44 licenses of a particular class, the director may issue five new licenses
45 plus an additional number of new licenses equivalent to twenty percent of

1 the difference between the number of revoked or reverted licenses per year
2 and five. The director may waive the issuance of licenses in a county for
3 one year if there has been no request made to the department for the
4 issuance of a new license of that series. For the purposes of this
5 subsection, the population of a county is deemed to be the population
6 estimated as of July 1 of each year by the office of economic opportunity.

7 D. A person issued a license authorized by subsection B or C of
8 this section shall pay an additional issuance fee equal to the license's
9 fair market value that shall be paid to the state general fund. An
10 appraisal shall be conducted to determine the fair market value of that
11 license type in a specific county. The fair market value is defined to
12 mean the price arrived at in good faith that a knowledgeable and willing
13 buyer will pay and is computed by determining the average value, or
14 weighted average value if there are trends in license pricing in that
15 county, of licenses of the same type, free of any encumbrances, sold on
16 the open market in the same county during the prior twelve months, but if
17 there are not three or more sales then the fair market value is determined
18 by two appraisals furnished to the department by independent professional
19 appraisers employed by the director. The valuation method under both
20 approaches shall take into account trends in the value of licenses of the
21 specific type during the previous twelve months. A new license authorized
22 pursuant to subsection B or C of this section may not be issued to a
23 person or entity that has had a similar license revoked or reverted unless
24 the person or entity provides the director with satisfactory proof that
25 all previous liens on the revoked or reverted license have been satisfied
26 in full.

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

30 F. If more than one person applies for an available license, a
31 priority of applicants shall be determined by a random selection method
32 prescribed by the director, except that the number of times that a person
33 may enter the random selection process shall not exceed the number of
34 licenses of that series that are available for issuance. For the purposes
35 of this subsection, a partnership, limited liability company, association,
36 company or corporation is considered the same person if it is owned,
37 managed, operated or controlled by the same controlling person.

38 G. Bar licenses and beer and wine bar licenses shall be issued and
39 used only if the clear primary purpose and actual primary use is for
40 on-sale retailer privileges. The off-sale privileges associated with a
41 bar license and a beer and wine bar license shall be limited to use, which
42 is clearly auxiliary to the active primary on-sale privilege. A bar
43 license or a beer and wine bar license shall not be issued or used if the
44 associated off-sale use, by total retail spirituous liquor sales, exceeds
45 thirty percent of the sales price of on-sale spirituous liquors by the

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

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

14 I. The director may issue a beer and wine bar license to the holder
15 of a liquor store license issued simultaneously at the same premises. An
16 applicant for a liquor store 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 this title. A
19 liquor store license and a beer and wine bar license on the same premises
20 shall be owned by and issued to the same licensee.

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

34 K. An applicant for a liquor store license or a beer and wine store
35 license and the licensee of a liquor store license or a beer and wine
36 store license may apply for sampling privileges associated with the
37 license. Beer and wine store premises containing less than five thousand
38 square feet must dedicate at least seventy-five percent of retail shelf
39 space to the sale of spirituous liquor in order to be eligible for
40 sampling privileges. A person desiring a sampling privilege associated
41 with a liquor store license shall apply to the director on a form
42 prescribed and furnished by the director. The application for sampling
43 privileges may be filed for an existing license or may be submitted with
44 an initial license application. The request for sampling approval, the
45 review of the application and the issuance of approval shall be conducted

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

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

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

18 3. The licensed retailer shall make sales of sampled products from
19 the licensed retail premises.

20 4. The licensee shall not charge any customer for the sampling of
21 any products, except that the licensee may charge a fee for bona fide
22 educational classes conducted in a classroom by an instructor on the
23 licensed premises where the sampling of any spirituous liquor product is
24 incidental to the course taught and to the course materials presented.

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

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

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

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

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

40 M. The director may issue a beer and wine store license to the
41 holder of a bar license simultaneously at the same premises. An applicant
42 for a beer and wine store license and a bar license may consolidate the
43 application and may apply for both licenses at the same time. The holder
44 of each license shall fully comply with this title. A beer and wine store
45 license and a bar license on the same premises shall be owned by and

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

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

8 4-209. Fees for license, application, issuance, renewal and
9 transfer; late renewal penalty; seasonal operation;
10 surcharges

11 A. A fee shall accompany an application for an original license or
12 transfer of a license, or in case of renewal, shall be paid in advance.
13 Every license expires annually, except that a license may be renewed for a
14 two-year period pursuant to subsection M of this section if no compliance
15 penalties have been issued to that location during the year before the
16 renewal. A licensee who fails to renew the license on or before the due
17 date shall pay a penalty of ~~one hundred fifty dollars~~ \$150, which the
18 licensee shall pay with the renewal fee. A license renewal that is
19 deposited, properly addressed and postage prepaid in an official
20 depository of the United States mail on or before the due date shall be
21 deemed filed and received by the department on the date shown by the
22 postmark or other official mark of the United States postal service
23 stamped on the envelope. If the due date falls on a Saturday, Sunday or
24 other legal holiday, the renewal shall be considered timely if it is
25 received by the department on the next business day. The director may
26 waive a late renewal penalty if good cause is shown by the licensee. A
27 licensee who fails to renew the license on or before the due date may not
28 sell, purchase or otherwise deal in spirituous liquor until the license is
29 renewed. A license that is not renewed within sixty days after the due
30 date is deemed terminated. The director may renew the terminated license
31 if good cause is shown by the licensee. EXCEPT AN APPLICATION FEE FOR A
32 PERMIT PURSUANT TO SECTION 4-203.07 AND SECTION 4-205.02, SUBSECTION K AND
33 LEASES PURSUANT TO SECTIONS 4-203.06 AND 4-203.07, an application fee for
34 an original license or the transfer of a license shall be ~~one hundred~~
35 ~~dollars~~ \$100, which shall be retained by this state.

36 B. Issuance fees for original licenses shall be:

37 1. For an in-state producer's license, ~~to manufacture or produce~~
38 spirituous liquor in this state, ~~one thousand five hundred dollars~~ \$1,500.

39 2. Except as provided in paragraph 15 of this subsection, for an
40 out-of-state producer's, exporter's, importer's or rectifier's license,
41 ~~two hundred dollars~~ \$200.

42 3. For a microbrewery license, ~~three hundred dollars~~ \$300.

43 4. For a wholesaler's license, ~~to sell spirituous liquors,~~ ~~one~~
44 ~~thousand five hundred dollars~~ \$1,500.

- 1 5. For a government license issued in the name of a state agency,
2 state commission, state board, county, city, town, community college or
3 state university or the national guard, ~~one hundred dollars~~ \$100.
- 4 6. For a bar license, which is an on-sale retailer's license to
5 sell all spirituous liquors primarily by individual portions and in the
6 original containers, ~~one thousand five hundred dollars~~ \$1,500.
- 7 7. For a beer and wine bar license, which is an on-sale retailer's
8 license to sell beer and wine primarily by individual portions and in the
9 original containers, ~~one thousand five hundred dollars~~ \$1,500.
- 10 8. For a conveyance license issued to an operating railroad
11 company, to sell all spirituous liquors in individual portions or in the
12 original containers on all passenger trains operated by the railroad
13 company, or to an operating airline company, to sell or serve spirituous
14 liquors solely in individual portions on all passenger planes operated by
15 the airline company, or to a boat operating in the waters of this state,
16 to sell all spirituous liquors in individual portions or in the original
17 containers for consumption on the boat, ~~one thousand five hundred dollars~~
18 \$1,500.
- 19 9. For a liquor store license, which is an off-sale retailer's
20 license to sell all spirituous liquors, ~~one thousand five hundred dollars~~
21 \$1,500.
- 22 10. For a beer and wine store license, which is an off-sale
23 retailer's license to sell beer and wine, ~~one thousand five hundred~~
24 ~~dollars~~ \$1,500.
- 25 11. For a hotel-motel license issued as such, to sell and serve
26 spirituous liquors solely for consumption on the licensed premises of the
27 hotel or motel, ~~one thousand five hundred dollars~~ \$1,500.
- 28 12. For a restaurant license issued as such, to sell and serve
29 spirituous liquors solely for consumption on the licensed premises of the
30 restaurant, ~~one thousand five hundred dollars~~ \$1,500. For a permit issued
31 under section 4-205.02, subsection H allowing for the sale of beer for the
32 consumption off the licensed premises pursuant to section 4-244, paragraph
33 32, subdivision (c), the director may charge a fee. FOR AN APPLICATION
34 FOR A PERMIT PURSUANT TO SECTION 4-203.07 AND SECTION 4-205.02, SUBSECTION
35 K, THE DIRECTOR MAY CHARGE A FEE. THE DIRECTOR MAY ESTABLISH AND CHARGE
36 FEES FOR LEASE APPLICATIONS PURSUANT TO SECTIONS 4-203.06 AND 4-203.07.
- 37 13. For a farm winery license, ~~one hundred dollars~~ \$100. The
38 director may charge a licensed farm winery a fee pursuant to section
39 4-205.04, subsection L.
- 40 14. For a club license issued in the name of a bona fide club
41 qualified under this title to sell all spirituous liquors on-sale, ~~one~~
42 ~~thousand dollars~~ \$1,000.
- 43 15. For an out-of-state winery that sells not more than two hundred
44 forty gallons of wine in this state in a calendar year, ~~twenty-five~~
45 ~~dollars~~ \$25.

1 16. The department may charge a fee for a craft distiller license.

2 17. THE DEPARTMENT MAY CHARGE A FEE FOR REGISTERING AN ALCOHOL
3 DELIVERY CONTRACTOR PURSUANT TO SECTION 4-205.13.

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

10 D. The annual fees for licenses shall be:

11 1. For an in-state producer's license, ~~to manufacture or produce~~
12 ~~spirituous liquors in this state, three hundred fifty dollars~~ \$350.

13 2. Except as provided in paragraph 15 of this subsection, for an
14 out-of-state producer's, exporter's, importer's or rectifier's license,
15 ~~fifty dollars~~ \$50.

16 3. For a microbrewery license, ~~three hundred dollars~~ \$300.

17 4. For a wholesaler's license, to sell spirituous liquors, ~~two~~
18 ~~hundred fifty dollars~~ \$250.

19 5. For a government license issued to a county, city or town,
20 community college or state university or the national guard, ~~one hundred~~
21 ~~dollars~~ \$100.

22 6. For a bar license, which is an on-sale retailer's license to
23 sell all spirituous liquors primarily by individual portions and in the
24 original containers, ~~one hundred fifty dollars~~ \$150.

25 7. For a beer and wine bar license, which is an on-sale retailer's
26 license to sell beer and wine primarily by individual portions and in the
27 original containers, ~~seventy-five dollars~~ \$75.

28 8. For a conveyance license issued to an operating railroad
29 company, to sell all spirituous liquors in individual portions or in the
30 original containers on all passenger trains operated by the railroad
31 company, or to an operating airline company, to sell or serve spirituous
32 liquors solely in individual portions on all passenger planes operated by
33 the airline company, or to a boat operating in the waters of this state,
34 to sell all spirituous liquor in individual portions or in the original
35 containers for consumption on the boat, ~~two hundred twenty-five dollars~~
36 ~~\$225~~.

37 9. For a liquor store license, which is an off-sale retailer's
38 license to sell all spirituous liquors, ~~fifty dollars~~ \$50.

39 10. For a beer and wine store license, which is an off-sale
40 retailer's license to sell beer and wine, ~~fifty dollars~~ \$50.

41 11. For a hotel-motel license issued as such, to sell and serve
42 spirituous liquors solely for consumption on the licensed premises of the
43 hotel or motel, ~~five hundred dollars~~ \$500.

44 12. For a restaurant license issued as such, to sell and serve
45 spirituous liquors solely for consumption on the licensed premises of the

1 restaurant, ~~five hundred dollars~~ \$500, and for a restaurant license that
2 is ~~permitted~~ ALLOWED to continue operating as a restaurant pursuant to
3 section 4-213, subsection E, an additional amount established by the
4 director. The department shall transfer this amount to the state
5 treasurer for deposit in the state general fund. THE DIRECTOR MAY
6 ESTABLISH AN ANNUAL FEE FOR A PERMIT PURSUANT TO SECTION 4-203.07 AND
7 SECTION 4-205.02, SUBSECTION K. THE DIRECTOR MAY CHARGE ANNUAL LEASE
8 AMOUNTS PURSUANT TO SECTIONS 4-203.06 AND 4-203.07.

9 13. For a farm winery license, ~~one hundred dollars~~ \$100. The
10 director may charge a licensed farm winery an annual fee pursuant to
11 section 4-205.04, subsection L.

12 14. For a club license issued in the name of a bona fide club
13 qualified under this title to sell all spirituous liquors on-sale, ~~one~~
14 ~~hundred fifty dollars~~ \$150.

15 15. For an out-of-state winery that sells not more than two hundred
16 forty gallons of wine in this state in a calendar year, ~~twenty-five~~
17 ~~dollars~~ \$25.

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

20 17. THE DEPARTMENT MAY CHARGE A FEE FOR THE ANNUAL REGISTRATION
21 RENEWAL OF A REGISTERED ALCOHOL DELIVERY CONTRACTOR PURSUANT TO SECTION
22 4-205.13.

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

28 F. Transfer fees from person to person for licenses transferred
29 pursuant to section 4-203, subsection C shall be ~~three hundred dollars~~
30 \$300.

31 G. Transfer fees from location to location, as provided for in
32 section 4-203, shall be ~~one hundred dollars~~ \$100.

33 H. Assignment fees for a change of agent, as provided for in
34 section 4-202, subsection A, an acquisition of control, as provided for in
35 section 4-203, subsection F, or a restructuring, as provided for in
36 section 4-203, subsection H, shall be ~~one hundred dollars~~ \$100, except
37 that where a licensee holds multiple licenses and requests multiple,
38 simultaneous changes, the change of agent, acquisition of control or
39 restructuring fee for the first license shall be ~~one hundred dollars~~ \$100
40 and the fee for all remaining licenses shall be ~~fifty dollars~~ \$50 each,
41 except that the aggregate fees shall not exceed ~~one thousand dollars~~
42 \$1,000 for all change of agents, ~~one thousand dollars~~ \$1,000 for all
43 acquisitions of control and ~~one thousand dollars~~ \$1,000 for all
44 restructurings.

1 I. No fee shall be charged by the department for an assignment of a
2 liquor license in probate or an assignment pursuant to the provisions of a
3 will or pursuant to a judicial decree in a domestic relations proceeding
4 that assigns ownership of a business that includes a spirituous liquor
5 license to one of the parties in the proceeding. In the case of
6 nontransferable licenses, no fee shall be charged by the department for
7 the issuance of a license for a licensed business pursuant to a transfer
8 of the business in probate or pursuant to the provisions of a will or
9 pursuant to a judicial decree in a domestic relations proceeding that
10 assigns ownership of the business to one of the parties in the proceeding.

11 J. The director shall assess a surcharge of ~~thirty dollars~~ \$30 on
12 all licenses prescribed in subsection D, paragraphs 6, 7 and 12 of this
13 section. Monies from the surcharge shall be used by the department
14 exclusively for the costs of an auditor and support staff to review
15 compliance by applicants and licensees with the requirements of section
16 4-205.02, subsection E. The department shall assess the surcharge as part
17 of the annual license renewal fee.

18 K. The director shall assess a surcharge of ~~thirty-five dollars~~ \$35
19 on all licenses prescribed in this section. Monies from the surcharge
20 shall be used by the department exclusively for the costs of an
21 enforcement program to investigate licensees who have been the subject of
22 multiple complaints to the department. The enforcement program shall
23 respond to complaints against licensees by neighborhood associations, by
24 neighborhood civic groups and from municipal and county governments. The
25 department shall assess the surcharge as part of the annual license
26 renewal fee.

27 L. The director shall assess a surcharge of ~~twenty dollars~~ \$20 on
28 all licenses prescribed in subsection D, paragraphs 11 and 12 of this
29 section and ~~thirty-five dollars~~ \$35 on all other licenses prescribed in
30 this section. Monies from the surcharge and from surcharges imposed
31 pursuant to subsection K of this section shall be used by the department
32 exclusively for the costs of a neighborhood association interaction and
33 liquor enforcement management unit. The unit shall respond to complaints
34 from neighborhood associations, neighborhood civic groups and local
35 governing authorities regarding liquor violations. The director shall
36 report the unit's activities and the use of monies from the surcharge or
37 surcharges imposed pursuant to subsection K of this section to the board
38 at each board meeting or as the board may direct.

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

44 N. THE DEPARTMENT SHALL USE ALL MONIES RECEIVED FROM APPLICATION
45 FEES FOR PERMITS ISSUED PURSUANT TO SECTION 4-205.02, SUBSECTION K, LEASES

1 PURSUANT TO SECTIONS 4-203.06 AND 4-203.07 AND REGISTRATIONS PURSUANT TO
2 SECTION 4-205.13 FOR ADMINISTRATIVE COSTS ASSOCIATED WITH THE PERMIT,
3 REGISTRATION OR LEASE AND ENFORCEMENT OF THIS CHAPTER.

4 Sec. 9. Section 4-210, Arizona Revised Statutes, is amended to
5 read:

6 4-210. Grounds for revocation, suspension and refusal to
7 renew; notice; complaints; hearings; defense

8 A. After notice and hearing, the director may suspend, revoke or
9 refuse to renew any license, REGISTRATION, LEASE OR PERMIT issued pursuant
10 to this chapter for any of the following reasons:

11 1. There occurs on the licensed premises repeated acts of violence.

12 2. The licensee, REGISTRANT, LESSEE OR PERMITTEE fails to
13 satisfactorily maintain the capability, qualifications and reliability
14 requirements of an applicant for a license, REGISTRATION, LEASE OR PERMIT
15 prescribed in section 4-202, ~~or~~ 4-203, 4-203.06, 4-203.07 OR 4-205.13.

16 3. The licensee, REGISTRANT, LESSEE, PERMITTEE or controlling
17 person knowingly files with the department an application or other
18 document that contains material information that is false or misleading or
19 while under oath knowingly gives testimony in an investigation or other
20 proceeding under this title that is false or misleading.

21 4. The licensee, REGISTRANT, LESSEE, PERMITTEE or controlling
22 person is on the premises habitually intoxicated.

23 5. The licensed, REGISTERED, LEASED OR PERMITTED business is
24 delinquent for more than one hundred twenty days in the payment of taxes,
25 penalties or interest in an amount that exceeds \$250 to ~~the~~ THIS state or
26 to any political subdivision of ~~the~~ THIS state.

27 6. The licensee or controlling person obtains, assigns, transfers
28 or sells a spirituous liquor license without compliance with this title or
29 leases or subleases a license.

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

36 8. The licensee, REGISTRANT, LESSEE, PERMITTEE or controlling
37 person is convicted of a felony provided that for a conviction of a
38 corporation to serve as a reason for any action by the director, conduct
39 that constitutes the corporate offense and was the basis for the felony
40 conviction must have been engaged in, authorized, solicited, commanded or
41 recklessly tolerated by the directors of the corporation or by a high
42 managerial agent acting within the scope of employment.

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

1 10. The licensee, REGISTRANT, LESSEE OR PERMITTEE fails to take
2 reasonable steps to protect the safety of a customer of the licensee,
3 REGISTRANT, LESSEE OR PERMITTEE or any other person entering, leaving or
4 remaining on the licensed premises when the licensee knew or reasonably
5 should have known of the danger to the person, or the licensee fails to
6 take reasonable steps to intervene by notifying law enforcement officials
7 or otherwise to prevent or break up an act of violence occurring on the
8 licensed premises or immediately adjacent to the premises when the
9 licensee knew or reasonably should have known of the acts of violence.

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

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

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

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

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

32 16. The licensee, REGISTRANT, LESSEE OR PERMITTEE violates an order
33 of the board.

34 B. For the purposes of:

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

39 2. Subsection A, paragraphs 9 and 10 of this section, acts or
40 omissions of an employee of a licensee that violate this title or rules
41 adopted pursuant to this title are deemed to be acts or omissions of the
42 licensee. Acts or omissions by an employee or licensee committed during
43 the time the licensed premises were operated pursuant to an interim permit
44 or without a license may be charged as if they had been committed during
45 the period the premises were duly licensed.

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

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

29 E. The director may refuse to transfer any license, REGISTRATION,
30 LEASE OR PERMIT or issue a new license, REGISTRATION, LEASE OR PERMIT at
31 the same location if the director has filed a complaint against the
32 license, REGISTRATION, LEASE, PERMIT or location that has not been
33 resolved alleging a violation of any of the grounds stated in subsection A
34 of this section until the time the complaint has been finally adjudicated.

35 F. The director shall receive all complaints of alleged violations
36 of this chapter and is responsible for the investigation of all
37 allegations of a violation of, or noncompliance with, this title, any rule
38 adopted pursuant to this title or any condition imposed on the licensee,
39 REGISTRANT, LESSEE OR PERMITTEE by the license, REGISTRATION, LEASE OR
40 PERMIT. When the director receives three complaints from any law
41 enforcement agency resulting from three separate incidents at a licensed,
42 LEASED OR PERMITTED establishment OR BY A REGISTRANT within a twelve-month
43 period, the director shall transmit a written report to the board setting
44 forth the complaints, the results of any investigation conducted by the
45 law enforcement agency or the department relating to the complaints and a

1 history of all prior complaints against the license, REGISTRATION, LEASE
2 OR PERMIT and their disposition. The board shall review the report and
3 may direct the director to conduct further investigation of a complaint or
4 to serve a licensee, REGISTRANT, LESSEE OR PERMITTEE with a complaint and
5 notice of a hearing pursuant to subsection G of this section.

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

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

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

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

9 J. The department shall provide the same notice as is provided to
10 the licensee, REGISTRANT, LESSEE OR PERMITEE 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
14 for damages for any failure to provide any notice pursuant to this
15 subsection.

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

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

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

32 3. That the lienholder took reasonable steps to correct the
33 licensee's, REGISTRANT'S, LESSEE'S OR PERMITEE'S prior actions, if any,
34 or initiated an action pursuant to available contract rights against the
35 licensee, REGISTRANT, LESSEE OR PERMITEE for the forfeiture of the
36 license, REGISTRATION, LEASE OR PERMIT after being provided with notice by
37 the department of disciplinary action as provided in subsection J of this
38 section.

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

41 5. That the lienholder reasonably attempted to remain informed by
42 the licensee, REGISTRANT, LESSEE OR PERMITEE about the business's
43 conduct.

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

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

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

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

18 N. The director may consider as a mitigating factor or defense to a
19 complaint against a licensee for a violation of subsection A, paragraph 10
20 or 14 of this section that the licensee acted reasonably, responsibly and
21 as expeditiously as possible by asking for intervention by a peace officer
22 to prevent or to break up a riot, a fight, an altercation or tumultuous
23 conduct.

24 Sec. 10. Section 4-210.01, Arizona Revised Statutes, is amended to
25 read:

26 4-210.01. Authority to impose civil penalty; training

27 A. In lieu of or in addition to the suspension or revocation of or
28 refusal to renew a license authorized by section 4-210, subsection A AND A
29 REGISTRATION PURSUANT TO SECTION 4-205.13, SUBSECTION G, the director may
30 impose a civil penalty of ~~not less than two hundred nor~~ AT LEAST \$200 AND
31 NOT more than ~~three thousand dollars~~ \$3,000 for each violation. The
32 licensee OR REGISTRANT is entitled to appeal the decision of the director
33 to the board. The board may affirm, modify or reverse the finding and
34 decision of the director and may decrease the civil penalty imposed by the
35 director.

36 ~~B. The director may establish payment of the civil penalty as~~
37 ~~authorized in subsection A of this section, by the licensee in the form of~~
38 ~~a single payment or installment payments.~~

39 B. THE DIRECTOR MAY REQUIRE A LICENSEE OR REGISTRANT TO PAY A CIVIL
40 PENALTY ASSESSED PURSUANT TO SUBSECTION A OF THIS SECTION IN A SINGLE
41 PAYMENT OR IN INSTALLMENT PAYMENTS.

42 C. In addition to the imposition of any other penalty authorized by
43 this title, the director may impose a requirement that the licensee OR
44 REGISTRANT or other person attend a training program approved by the
45 department.

1 Sec. 11. Section 4-226, Arizona Revised Statutes, is amended to
2 read:

3 4-226. Exemptions

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

5 1. Drugstores selling spirituous liquors only on prescription.

6 2. Any confectionery candy containing less than five ~~per cent~~
7 PERCENT by weight of alcohol.

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

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

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

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

20 (d) In the manufacture of patented, patent, proprietary, medicinal,
21 pharmaceutical, antiseptic, toilet, scientific, chemical, mechanical and
22 industrial preparations or products, unfit and not used for beverage
23 purposes.

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

26 4. The purchase, storage, distribution, service or consumption of
27 wine in connection with the bona fide practice of a religious belief or as
28 an integral part of a religious exercise by a church recognized by the
29 United States internal revenue service under section 501(c)(3) of the
30 internal revenue code and in a manner not dangerous to public health or
31 safety. This exemption does not apply to any alleged violation of section
32 4-244, paragraph 9, 34, 35 or 41.

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

37 6. THE MANUFACTURE OR SALE OF BITTERS PRODUCTS THAT HAVE BEEN
38 CLASSIFIED AND APPROVED AS A NONBEVERAGE PRODUCT OR UNFIT FOR BEVERAGE
39 PURPOSES BY THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU.
40 THIS PARAGRAPH IS CONSISTENT WITH THE CLASSIFICATION GUIDELINES AS
41 ESTABLISHED AND ADMINISTERED BY THE UNITED STATES ALCOHOL AND TOBACCO TAX
42 AND TRADE BUREAU.

1 Sec. 12. Section 4-244, Arizona Revised Statutes, is amended to
2 read:

3 4-244. Unlawful acts

4 It is unlawful:

5 1. For a person to buy for resale, sell or deal in spirituous
6 liquors in this state without first having procured a license duly issued
7 by the board, except that the director may issue a temporary permit of any
8 series pursuant to section 4-205.05 to a trustee in bankruptcy to acquire
9 and dispose of the spirituous liquor of a debtor.

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

12 3. For a distiller, vintner, brewer or wholesaler knowingly to
13 sell, dispose of or give spirituous liquor to any person other than a
14 licensee except in sampling wares as may be necessary in the ordinary
15 course of business, except in donating spirituous liquor to a nonprofit
16 organization that has obtained a special event license for the purpose of
17 charitable ~~fund-raising~~ FUNDRAISING activities or except in donating
18 spirituous liquor with a cost to the distiller, brewer or wholesaler of up
19 to \$500 in a calendar year to an organization that is exempt from federal
20 income taxes under section 501(c) (3), (4), (6) or (7) of the internal
21 revenue code and not licensed under this title.

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

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

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

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

37 8. For a retailer to acquire an interest in property owned,
38 occupied or used by a wholesaler in the wholesaler's business, or in a
39 license with respect to the premises of the wholesaler.

40 9. Except as provided in paragraphs 10 and 11 of this section, for
41 a licensee or other person to sell, furnish, dispose of or give, or cause
42 to be sold, furnished, disposed of or given, to a person under the legal
43 drinking age or for a person under the legal drinking age to buy, receive,
44 have in the person's possession or consume spirituous liquor. This
45 paragraph does not prohibit the employment by an off-sale retailer of

1 persons who are at least sixteen years of age to check out, if supervised
2 by a person on the premises who is at least eighteen years of age, package
3 or carry merchandise, including spirituous liquor, in unbroken packages,
4 for the convenience of the customer of the employer, if the employer sells
5 primarily merchandise other than spirituous liquor.

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

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

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

24 13. For an employee of a retail licensee, during that employee's
25 working hours or in connection with such employment, to give to or
26 purchase for any other person, accept a gift of, purchase for the employee
27 or consume spirituous liquor, except that:

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

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

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

1 (d) An unpaid volunteer who is a bona fide member of a club and who
2 is not engaged in waiting on or serving spirituous liquor to customers may
3 purchase for himself and consume spirituous liquor while participating in
4 a scheduled event at the club. An unpaid participant in a food
5 competition may purchase for himself and consume spirituous liquor while
6 participating in the food competition.

7 (e) An unpaid volunteer of a special event licensee under section
8 4-203.02 may purchase and consume spirituous liquor while not engaged in
9 waiting on or serving spirituous liquor to customers at the special event.
10 This subdivision does not apply to an unpaid volunteer whose
11 responsibilities include verification of a person's legal drinking age,
12 security or the operation of any vehicle or heavy machinery.

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

27 15. For an on-sale or off-sale retailer or an employee of such
28 retailer **OR AN ALCOHOL DELIVERY CONTRACTOR** to sell, dispose of, deliver or
29 give spirituous liquor to a person between the hours of 2:00 a.m. and 6:00
30 a.m., except that a retailer with off-sale privileges may receive and
31 process orders, accept payment or package, load or otherwise prepare
32 spirituous liquor for delivery at any time, if the actual deliveries to
33 customers are made between the hours of 6:00 a.m. and 2:00 a.m., at which
34 time section 4-241, subsections A and K apply.

35 16. For a licensee or employee to knowingly ~~permit~~ **ALLOW** any person
36 on or about the licensed premises to give or furnish any spirituous liquor
37 to any person under twenty-one years of age or knowingly ~~permit~~ **ALLOW** any
38 person under twenty-one years of age to have in the person's possession
39 spirituous liquor on the licensed premises.

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

1 18. For an on-sale retailer to ~~permit~~ ALLOW an employee or for an
2 employee to solicit or encourage others, directly or indirectly, to buy
3 the employee drinks or anything of value in the licensed premises during
4 the employee's working hours. An on-sale retailer shall not serve
5 employees or allow a patron of the establishment to give spirituous liquor
6 to, purchase liquor for or drink liquor with any employee during the
7 employee's working hours.

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

13 20. For a person to consume spirituous liquor in a public place,
14 thoroughfare or gathering. The license of a licensee ~~permitting~~ ALLOWING
15 a violation of this paragraph on the premises shall be subject to
16 revocation. This paragraph does not apply to the sale of spirituous
17 liquors on the premises of and by an on-sale retailer. This paragraph
18 also does not apply to a person consuming beer or wine from a broken
19 package in a public recreation area or on private property with permission
20 of the owner or lessor or on the walkways surrounding such private
21 property or to a person consuming beer or wine from a broken package in a
22 public recreation area as part of a special event or festival that is
23 conducted under a license secured pursuant to section 4-203.02 or
24 4-203.03.

25 21. For a person to have possession of or to transport spirituous
26 liquor that is manufactured in a distillery, winery, brewery or rectifying
27 plant contrary to the laws of the United States and this state. Any
28 property used in transporting such spirituous liquor shall be forfeited to
29 the state and shall be seized and disposed of as provided in section
30 4-221.

31 22. For an on-sale retailer or employee to allow a person under the
32 legal drinking age to remain in an area on the licensed premises during
33 those hours in which its primary use is the sale, dispensing or
34 consumption of alcoholic beverages after the licensee, or the licensee's
35 employees, know or should have known that the person is under the legal
36 drinking age. An on-sale retailer may designate an area of the licensed
37 premises as an area in which spirituous liquor will not be sold or
38 consumed for the purpose of allowing underage persons on the premises if
39 the designated area is separated by a physical barrier and at no time will
40 underage persons have access to the area in which spirituous liquor is
41 sold or consumed. A licensee or an employee of a licensee may require a
42 person who intends to enter a licensed premises or a portion of a licensed
43 premises where persons under the legal drinking age are prohibited under
44 this section to exhibit an instrument of identification that is acceptable
45 under section 4-241 as a condition of entry or may use a biometric

1 identity verification device to determine the person's age as a condition
2 of entry. The director, or a municipality, may adopt rules to regulate
3 the presence of underage persons on licensed premises provided the rules
4 adopted by a municipality are more stringent than those adopted by the
5 director. The rules adopted by the municipality shall be adopted by local
6 ordinance and shall not interfere with the licensee's ability to comply
7 with this paragraph. This paragraph does not apply:

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

11 (b) If the owner, lessee or occupant of the premises is a club as
12 defined in section 4-101, paragraph 8, subdivision (a) and the person
13 under the legal drinking age is any of the following:

14 (i) An active duty military service member.

15 (ii) A veteran.

16 (iii) A member of the United States army national guard or the
17 United States air national guard.

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

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

21 23. For an on-sale retailer or employee to conduct drinking
22 contests, to sell or deliver to a person an unlimited number of spirituous
23 liquor beverages during any set period of time for a fixed price, to
24 deliver more than fifty ounces of beer, one liter of wine or four ounces
25 of distilled spirits in any spirituous liquor drink to one person at one
26 time for that person's consumption or to advertise any practice prohibited
27 by this paragraph. The provisions of this paragraph do not prohibit an
28 on-sale retailer or employee from selling and delivering an opened,
29 original container of distilled spirits if:

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

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

35 24. For a licensee or employee to knowingly ~~permit~~ ALLOW the
36 unlawful possession, use, sale or offer for sale of narcotics, dangerous
37 drugs or marijuana on the premises. For the purposes of this paragraph,
38 "dangerous drug" has the same meaning prescribed in section 13-3401.

39 25. For a licensee or employee to knowingly ~~permit~~ ALLOW
40 prostitution or the solicitation of prostitution on the premises.

41 26. For a licensee or employee to knowingly ~~permit~~ ALLOW unlawful
42 gambling on the premises.

43 27. For a licensee or employee to knowingly ~~permit~~ ALLOW
44 trafficking or attempted trafficking in stolen property on the premises.

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

4 29. For any person other than a peace officer while on duty or off
5 duty or a member of a sheriff's volunteer posse while on duty who has
6 received firearms training that is approved by the Arizona peace officer
7 standards and training board, a retired peace officer as defined in
8 section 38-1113 or an honorably retired law enforcement officer who has
9 been issued a certificate of firearms proficiency pursuant to section
10 13-3112, subsection T, the licensee or an employee of the licensee acting
11 with the permission of the licensee to be in possession of a firearm while
12 on the licensed premises of an on-sale retailer. This paragraph does not
13 include a situation in which a person is on licensed premises for a
14 limited time in order to seek emergency aid and such person does not buy,
15 receive, consume or possess spirituous liquor. This paragraph does not
16 apply to:

17 (a) Hotel or motel guest room accommodations.

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

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

23 30. For a licensee or employee to knowingly ~~permit~~ ALLOW a person
24 in possession of a firearm other than a peace officer while on duty or off
25 duty or a member of a sheriff's volunteer posse while on duty who has
26 received firearms training that is approved by the Arizona peace officer
27 standards and training board, a retired peace officer as defined in
28 section 38-1113 or an honorably retired law enforcement officer who has
29 been issued a certificate of firearms proficiency pursuant to section
30 13-3112, subsection T, the licensee or an employee of the licensee acting
31 with the permission of the licensee to remain on the licensed premises or
32 to serve, sell or furnish spirituous liquor to a person in possession of a
33 firearm while on the licensed premises of an on-sale retailer. It is a
34 defense to action under this paragraph if the licensee or employee
35 requested assistance of a peace officer to remove such person. This
36 paragraph does not apply to:

37 (a) Hotel or motel guest room accommodations.

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

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

43 31. For any person in possession of a firearm while on the licensed
44 premises of an on-sale retailer to consume spirituous liquor. This
45 paragraph does not prohibit the consumption of small amounts of spirituous

1 liquor by an undercover peace officer on assignment to investigate the
2 licensed establishment.

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

6 (a) A person who removes a bottle of wine that has been partially
7 consumed in conjunction with a purchased meal from licensed premises if a
8 cork is inserted flush with the top of the bottle or the bottle is
9 otherwise securely closed.

10 (b) A person who is in licensed premises that have noncontiguous
11 portions that are separated by a public or private walkway or driveway and
12 who takes spirituous liquor from one portion of the licensed premises
13 across the public or private walkway or driveway directly to the other
14 portion of the licensed premises.

15 (c) A licensee of a bar, beer and wine bar, liquor store, beer and
16 wine store, microbrewery or restaurant that has a permit pursuant to
17 section 4-205.02, subsection H that dispenses beer only in a clean
18 container composed of a material approved by a national sanitation
19 organization with a maximum capacity that does not exceed one gallon and
20 not for consumption on the premises if:

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

23 (ii) The container is sealed and displays a government warning
24 label.

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

27 (d) A BAR OR LIQUOR STORE LICENSEE THAT PREPARES A MIXED COCKTAIL
28 OR A RESTAURANT LICENSEE THAT LEASES THE PRIVILEGE TO SELL MIXED COCKTAILS
29 FOR CONSUMPTION OFF THE LICENSED PREMISES PURSUANT TO SECTION 4-203.06 OR
30 HOLDS A PERMIT PURSUANT TO SECTION 4-203.07 AND SECTION 4-205.02,
31 SUBSECTION K AND THAT PREPARES A MIXED COCKTAIL AND TRANSFERS IT TO A
32 CLEAN CONTAINER COMPOSED OF A MATERIAL APPROVED BY A NATIONAL SANITATION
33 ORGANIZATION WITH A MAXIMUM CAPACITY THAT DOES NOT EXCEED THIRTY-TWO
34 OUNCES AND NOT FOR CONSUMPTION ON THE PREMISES IF ALL OF THE FOLLOWING
35 APPLY:

36 (i) THE LICENSEE OR LICENSEE'S EMPLOYEE FILLS THE CONTAINER WITH
37 THE MIXED COCKTAIL ON THE LICENSED PREMISES OF THE BAR, LIQUOR STORE OR
38 RESTAURANT.

39 (ii) THE CONTAINER IS TAMPER PROOF SEALED BY THE LICENSEE OR THE
40 LICENSEE'S EMPLOYEE AND DISPLAYS A GOVERNMENT WARNING LABEL.

41 (iii) THE CONTAINER CLEARLY DISPLAYS THE BAR'S, LIQUOR STORE'S OR
42 RESTAURANT'S LOGO OR NAME.

1 (iv) FOR A RESTAURANT LICENSEE LICENSED PURSUANT TO SECTION
2 4-205.02, THE SALE OF MIXED COCKTAILS FOR CONSUMPTION OFF THE LICENSED
3 PREMISES IS ACCOMPANIED BY THE SALE OF MENU FOOD ITEMS FOR CONSUMPTION ON
4 OR OFF THE LICENSED PREMISES.

5 33. For a person who is obviously intoxicated to buy or attempt to
6 buy spirituous liquor from a licensee or employee of a licensee or to
7 consume spirituous liquor on licensed premises.

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

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

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

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

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

22 39. For a licensee to offer for sale a wine carrying a label
23 including a reference to Arizona or any Arizona city, town or geographic
24 location unless at least seventy-five percent by volume of the grapes used
25 in making the wine were grown in Arizona.

26 40. For a retailer to knowingly allow a customer to bring
27 spirituous liquor onto the licensed premises, except that an on-sale
28 retailer may allow a wine and food club to bring wine onto the premises
29 for consumption by the club's members and guests of the club's members in
30 conjunction with meals purchased at a meeting of the club that is
31 conducted on the premises and that at least seven members attend. An
32 on-sale retailer that allows wine and food clubs to bring wine onto its
33 premises under this paragraph shall comply with all applicable provisions
34 of this title and any rules adopted pursuant to this title to the same
35 extent as if the on-sale retailer had sold the wine to the members of the
36 club and their guests. For the purposes of this paragraph, "wine and food
37 club" means an association that has more than twenty bona fide members
38 paying at least \$6 per year in dues and that has been in existence for at
39 least one year.

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

43 (a) Pursuant to section 4-249, it is a defense that the spirituous
44 liquor was consumed in connection with the bona fide practice of a

1 religious belief or as an integral part of a religious exercise and in a
2 manner not dangerous to public health or safety.

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

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

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

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

13 43. For a person to purchase, offer for sale or use any device,
14 machine or process that mixes spirituous liquor with pure oxygen or
15 another gas to produce a vaporized product for the purpose of consumption
16 by inhalation or to allow patrons to use any item for the consumption of
17 vaporized spirituous liquor.

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

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

27 46. For a direct shipment licensee, a farm winery licensee or an
28 employee of those licensees to sell, dispose of, deliver or give
29 spirituous liquor to an individual purchaser between the hours of 2:00
30 a.m. and 6:00 a.m., except that a direct shipment licensee or a farm
31 winery licensee may receive and process orders, accept payment, package,
32 load or otherwise prepare wine for delivery at any time without complying
33 with section 4-241, subsections A and K, if the actual deliveries to
34 individual purchasers are made between the hours of 6:00 a.m. and 2:00
35 a.m. and in accordance with section 4-203.04 for direct shipment licensees
36 and section 4-205.04 for farm winery licensees.

37 Sec. 13. Severability clause

38 If a provision of this act or its application to any person or
39 circumstance is held invalid, the invalidity does not affect other
40 provisions or applications of the act that can be given effect without the
41 invalid provisions or application, and to this end the provisions of this
42 act are severable.

1 Sec. 14. Effective date
2 Sections 4-101, 4-203, 4-205.02, 4-206.01, 4-209, 4-210, 4-210.01
3 and 4-244, Arizona Revised Statutes, as amended by this act, and sections
4 4-203.06, 4-203.07 and 4-205.13, Arizona Revised Statutes, as added by
5 this act, are effective from and after September 30, 2021.
6 Sec. 15. Retroactivity
7 Section 4-226, Arizona Revised Statutes, as amended by this act,
8 applies retroactively to July 1, 2020.

APPROVED BY THE GOVERNOR MAY 21, 2021.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 21, 2021.