

Senate Engrossed

adult hemp beverages; policies; procedures

State of Arizona
Senate
Fifty-seventh Legislature
First Regular Session
2025

SENATE BILL 1556

AN ACT

AMENDING SECTIONS 3-314, 4-101, 4-112, 4-114, 4-201, 4-202, 4-203, 4-204, 4-205, 4-205.01, 4-205.02, 4-205.04, 4-205.05, 4-205.06, 4-205.08, 4-205.10, 4-205.13, 4-206.01, 4-207.01, 4-207.02, 4-207.03, 4-208, 4-209, 4-210, 4-212, 4-213, 4-214 AND 4-215, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 4-216; AMENDING SECTIONS 4-221, 4-222, 4-223 AND 4-224, ARIZONA REVISED STATUTES; REPEALING SECTION 4-225, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING A NEW SECTION 4-225; AMENDING SECTIONS 4-226, 4-227, 4-227.01, 4-241, 4-242, 4-243, 4-243.01, 4-243.02, 4-243.04, 4-244, 4-244.02 AND 4-244.05, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 4-245; AMENDING SECTIONS 4-250.01, 4-251, 4-301, 4-302, 4-311, 4-312, 36-136, 42-3001, 42-3051, 42-3052, 42-3351, 42-3352, 42-3354 AND 42-3355, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 3, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-3357; APPROPRIATING MONIES; RELATING TO ADULT BEVERAGES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 3-314, Arizona Revised Statutes, is amended to
3 read:

4 3-314. Industrial hemp licenses; applications; fees;
5 fingerprinting requirements; renewal; revocation;
6 applicability

7 A. A grower, harvester, transporter or processor shall obtain an
8 industrial hemp license from the department.

9 B. A grower, harvester, transporter or processor shall apply for a
10 license pursuant to rules and orders adopted by the director.

11 C. An application for an original or renewal industrial hemp
12 license shall comply with all of the following:

13 1. Be on a form that is provided by the department.

14 2. Include complete and accurate information.

15 3. Be accompanied by the license fee prescribed by the director.

16 The director shall deposit, pursuant to sections 35-146 and 35-147, fees
17 collected under this paragraph in the industrial hemp trust fund
18 established by section 3-315.

19 D. An applicant shall provide proof to the department of having a
20 valid fingerprint clearance card issued pursuant to section 41-1758.07 for
21 the purpose of validating applicant eligibility.

22 E. A license issued pursuant to this section is valid for one year,
23 unless revoked, and may be renewed as provided by the department. Rather
24 than renewing a licensee's license every year, a licensee may renew the
25 licensee's license every two years by paying a license fee that is twice
26 the amount designated by the fee schedule in rule that is adopted by the
27 director and other applicable fees. Licensees that renew every two years
28 shall comply with any annual reporting requirements.

29 F. The department may revoke or refuse to issue or renew a license
30 for a violation of any law of this state, any federal law or any rule or
31 order adopted by the director.

32 G. A member of an Indian tribe may apply for a license pursuant to
33 this section. If a member of an Indian tribe is issued a license pursuant
34 to this section, the member is subject to the requirements prescribed in
35 this article.

36 H. THIS ARTICLE DOES NOT APPLY TO AN ADULT HEMP BEVERAGES
37 MANUFACTURER AS DEFINED IN SECTION 4-101 THAT IS NOT ENGAGED AS A GROWER,
38 HARVESTER, TRANSPORTER OR PROCESSOR OF INDUSTRIAL HEMP.

39 Sec. 2. Heading change

40 The heading to title 4, Arizona Revised Statutes, is changed from
41 "ALCOHOLIC BEVERAGES" to "ALCOHOLIC BEVERAGES AND ADULT HEMP BEVERAGES".

42 Sec. 3. Section 4-101, Arizona Revised Statutes, is amended to
43 read:

44 4-101. Definitions

45 In this title, unless the context otherwise requires:

1 1. "Act of violence":

2 (a) Means an incident that consists of a riot, a fight, an
3 altercation or tumultuous conduct and that meets at least one of the
4 following criteria:

5 (i) Bodily injuries are sustained by any person and the injuries
6 would be obvious to a reasonable person.

7 (ii) Is of sufficient intensity as to require the intervention of a
8 peace officer to restore normal order.

9 (iii) A weapon is brandished, displayed or used.

10 (iv) A licensee or an employee or contractor of the licensee fails
11 to follow a clear and direct lawful order from a law enforcement officer
12 or a fire marshal.

13 (b) Does not include the use of nonlethal devices by a peace
14 officer.

15 2. "ADULT HEMP BEVERAGE" MEANS ANY BEVERAGE THAT CONTAINS LESS THAN
16 THIRTY MILLIGRAMS PER LITER BY VOLUME OF TOTAL TETRAHYDROCANNABINOL, THAT
17 IS DERIVED FROM INDUSTRIAL HEMP AND THAT IS INTENDED FOR HUMAN
18 CONSUMPTION.

19 3. "ADULT HEMP BEVERAGES MANUFACTURER" MEANS ANY INDIVIDUAL,
20 PARTNERSHIP, CORPORATION, COOPERATIVE ASSOCIATION OR OTHER BUSINESS ENTITY
21 THAT IS LICENSED TO MANUFACTURE HEMP-DERIVED TETRAHYDROCANNABINOL INTO
22 ADULT HEMP BEVERAGES PRODUCTS.

23 4. "ADULT HEMP BEVERAGES MULTIPLE-SERVING CONTAINER" MEANS ANY
24 RESEALABLE CONTAINER THAT CONTAINS AN ADULT HEMP BEVERAGE AND THAT HAS AN
25 INTERNAL VOLUME OF AT LEAST THREE HUNDRED SEVENTY-FIVE MILLILITERS OR
26 12.68 FLUID OUNCES.

27 5. "ADULT HEMP BEVERAGES SINGLE-SERVING CONTAINER" MEANS ANY
28 NONRESEALABLE CONTAINER THAT CONTAINS AN ADULT HEMP BEVERAGE AND THAT HAS
29 AN INTERNAL VOLUME OF AT LEAST TWO HUNDRED MILLILITERS OR 6.76 FLUID
30 OUNCES.

31 ~~2-~~ 6. "Aggrieved party" means a person who resides at, owns or
32 leases property within a one-mile radius of premises proposed to be
33 licensed and who filed a written request with the department to speak in
34 favor of or opposition to the issuance of the license not later than sixty
35 days after filing the application or fifteen days after action by the
36 local governing body, whichever is sooner.

37 ~~3-~~ 7. "Beer":

38 (a) Means any beverage obtained by the alcoholic fermentation,
39 infusion or decoction of barley malt, hops, rice, bran or other grain,
40 glucose, sugar or molasses, or any combination of them, and may include,
41 as adjuncts in fermentation, honey, fruit, fruit juice, fruit concentrate,
42 herbs, spices and other food materials.

43 (b) Includes beer aged in an empty wooden barrel previously used to
44 contain wine or distilled spirits and as such is not considered a dilution
45 or mixture of any other spirituous liquor.

1 ~~4-~~ 8. "Biometric identity verification device" means a device
2 authorized by the department that instantly verifies the identity and age
3 of a person by an electronic scan of a biometric of the person, through a
4 fingerprint, iris image, facial image or other biometric characteristic,
5 or any combination of these characteristics, that references the person's
6 identity and age against any record described in section 4-241, subsection
7 K, and that meets all of the following conditions:

8 (a) The authenticity of the record was previously verified by an
9 electronic authentication process.

10 (b) The identity of and information about the record holder was
11 previously verified through either:

12 (i) A secondary, electronic authentication process or set of
13 processes using commercially available data, such as a public records
14 query or a knowledge-based authentication quiz.

15 (ii) Using a state or federal government system of records for
16 digital authentication.

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

20 ~~5-~~ 9. "Board" means the state liquor board.

21 ~~6-~~ 10. "Bona fide guest" means:

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

25 (b) In the case of a club that meets the criteria prescribed in
26 paragraph ~~8-~~ 12, subdivision (a) of this section, a current member of the
27 armed services of the United States who presents proper military
28 identification and any member of a recognized veterans' organization of
29 the United States and of any country allied with the United States during
30 current or past wars or through treaty arrangements.

31 ~~7-~~ 11. "Broken package" means any container of spirituous liquor
32 on which the United States tax seal has been broken or removed or **ANY**
33 **CONTAINER OF SPIRITUOUS LIQUOR OR ADULT HEMP BEVERAGES** from which the cap,
34 cork or seal placed on the container by the manufacturer has been removed.

35 ~~8-~~ 12. "Club" includes any of the following organizations where
36 the sale of spirituous liquor **OR ADULT HEMP BEVERAGES** for consumption on
37 the premises is made only to members, spouses of members, families of
38 members, bona fide guests of members and guests at other events authorized
39 in this title:

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

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

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

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

14 (e) A social club that has more than one hundred bona fide members
15 who are actual residents of the county in which it is located, that owns,
16 maintains or operates club quarters, that is authorized and incorporated
17 to operate as a nonprofit club under the laws of this state, and that has
18 been continuously incorporated and operating for a period of at least one
19 year. The club shall have had, during this one-year period, a bona fide
20 membership with regular meetings conducted at least once each month, and
21 the membership shall be and shall have been actively engaged in carrying
22 out the objects of the club. The club's membership shall consist of bona
23 fide dues-paying members paying dues of at least \$6 per year, payable
24 monthly, quarterly or annually, which have been recorded by the secretary
25 of the club, and the members at the time of application for a club license
26 shall be in good standing having for at least one full year paid dues. At
27 least fifty-one percent of the members shall have signified their
28 intention to secure a social club license by personally signing a
29 petition, on a form prescribed by the board, which shall also include the
30 correct mailing address of each signer. The petition shall not have been
31 signed by a member at a date earlier than one hundred eighty days before
32 the filing of the application. The club shall qualify for exemption from
33 the payment of state income taxes under title 43. It is the intent of
34 this subdivision that a license shall not be granted to a club that is, or
35 has been, primarily formed or activated to obtain a license to sell liquor
36 OR ADULT HEMP BEVERAGES, but solely to a bona fide club, where the sale of
37 liquor OR ADULT HEMP BEVERAGES is incidental to the main purposes of the
38 club.

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

42 ~~9-~~ 13. "Company" or "association", when used in reference to a
43 corporation, includes successors or assigns.

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

~~11.~~ 15. "Controlling person" means a person directly or indirectly possessing control of an applicant or licensee.

~~12.~~ 16. "Craft distiller" means a distiller in the United States or in a territory or possession of the United States that holds a license pursuant to section 4-205.10.

~~13.~~ 17. "Craft producer" means a licensed farm winery, a licensed microbrewery or a licensed craft distiller.

~~14.~~ 18. "Department" means the department of liquor licenses and control.

~~15.~~ 19. "Director" means the director of the department of liquor licenses and control.

~~16.~~ 20. "Distilled spirits" includes alcohol, brandy, whiskey, rum, tequila, mescal, gin, absinthe, a compound or mixture of any of them or of any of them with any vegetable or other substance, alcohol bitters, bitters containing alcohol, fruits preserved in ardent spirits, and any alcoholic mixture or preparation, whether patented or otherwise, that may in sufficient quantities produce intoxication.

~~17.~~ 21. "Employee" means any person who performs any service on licensed premises on a full-time, part-time or contract basis with consent of the licensee, whether or not the person is denominated an employee or independent contractor or otherwise. Employee does not include a person who is exclusively on the premises for musical or vocal performances, for repair or maintenance of the premises or for the delivery of goods to the licensee.

~~18.~~ 22. "Farm winery" means a winery in the United States or in a territory or possession of the United States that holds a license pursuant to section 4-205.04.

1 ~~19.~~ 23. "Government license" means a license to serve and sell
2 spirituous liquor on specified premises available only to a state agency,
3 state board, state commission, county, city, town, community college or
4 state university or the national guard or Arizona coliseum and exposition
5 center on application by the governing body of the state agency, state
6 board, state commission, county, city, town, community college or state
7 university or the national guard or Arizona exposition and state fair
8 board.

9 24. "HEMP OR INDUSTRIAL HEMP":

10 (a) HAS THE SAME MEANING AS INDUSTRIAL HEMP AS DEFINED IN SECTION
11 3-311.

12 (b) DOES NOT INCLUDE MARIJUANA AS DEFINED IN SECTION 36-2850.

13 25. "HEMP BEVERAGES MANUFACTURE" AND "HEMP BEVERAGES MANUFACTURING"
14 MEANS TO COMPOUND, BLEND, INFUSE OR OTHERWISE MAKE OR PREPARE AN ADULT
15 HEMP BEVERAGE.

16 26. "HEMP-DERIVED TETRAHYDROCANNABINOL" MEANS DELTA-9
17 TETRAHYDROCANNABINOL EXTRACTED FROM INDUSTRIAL HEMP THAT IS WATER SOLUBLE
18 AND USED IN THE MANUFACTURE OF ADULT HEMP BEVERAGES FOR HUMAN CONSUMPTION.

19 ~~20.~~ 27. "Legal drinking age" means twenty-one years of age or
20 older.

21 ~~21.~~ 28. "License" means a license or ~~an interim~~ A retail permit
22 issued pursuant to this title.

23 ~~22.~~ 29. "Licensee" means a person who has been issued a license or
24 an interim retail permit pursuant to this title or a special event
25 licensee.

26 ~~23.~~ 30. "License fees" means fees collected for license issuance,
27 license application, license renewal, interim permit issuance and license
28 transfer between persons or locations.

29 ~~24.~~ 31. "Manager" means a natural person who meets the standards
30 required of licensees and who has authority to organize, direct, carry on,
31 control or otherwise operate a licensed business on a temporary or
32 full-time basis.

33 ~~25.~~ 32. "Menu food item" means a food item from a regular menu,
34 special menu or happy hour menu that is prepared by the licensee or the
35 licensee's employee.

36 ~~26.~~ 33. "Microbrewery" means a brewery in the United States or in
37 a territory or possession of the United States that meets the requirements
38 of section 4-205.08.

39 ~~27.~~ 34. "Mixed cocktail":

40 (a) Means any drink combined at the premises of an authorized
41 licensee that contains a spirituous liquor and that is combined with at
42 least one other ingredient ~~OTHER THAN AN ADULT HEMP BEVERAGE~~, which may
43 include additional spirituous liquors, fruit juice, vegetable juice,
44 mixers, cream, flavored syrup or other ingredients except water, and that

1 when combined contains more than one-half of one percent of alcohol by
2 volume.

3 (b) Does not include a drink sold in an original manufacturer's
4 packaging or any drink poured from an original manufacturer's package
5 without the addition of all of the cocktail's other ingredients at the
6 premises of the licensed bar, liquor store or restaurant.

7 ~~28.~~ 35. "Off-sale retailer" means any person that operates a bona
8 fide regularly established retail liquor store that sells spirituous
9 liquors, wines, ~~and~~ beer OR ADULT HEMP BEVERAGES and any established
10 retail store that sells commodities other than spirituous liquors and that
11 is engaged in the sale of spirituous liquors OR ADULT HEMP BEVERAGES only
12 in the original unbroken package, to be taken away from the premises of
13 the retailer and to be consumed off the premises.

14 ~~29.~~ 36. "On-sale retailer" means any person operating an
15 establishment where spirituous liquors OR ADULT HEMP BEVERAGES are sold in
16 the original container for consumption on or off the premises or in
17 individual portions for consumption on the premises.

18 ~~30.~~ 37. "Permanent occupancy" means the maximum occupancy of the
19 building or facility as set by the office of the state fire marshal for
20 the jurisdiction in which the building or facility is located.

21 38. "PERMIT" MEANS A PERMIT ISSUED PURSUANT TO THIS TITLE.

22 ~~31.~~ 39. "Person" includes a partnership, limited liability
23 company, association, company or corporation, as well as a natural person.

24 ~~32.~~ 40. "Premises" or "licensed premises":

25 (a) Means the area from which the licensee is authorized to sell,
26 dispense or serve spirituous liquors OR ADULT HEMP BEVERAGES under the
27 provision of the license.

28 (b) Includes a patio that is not contiguous to the remainder of the
29 premises or licensed premises if the patio is separated from the remainder
30 of the premises or licensed premises by a public or private walkway or
31 driveway not to exceed thirty feet, subject to rules the director may
32 adopt to establish criteria for noncontiguous premises.

33 41. "PRODUCED" MEANS SPIRITUOUS LIQUOR PRODUCED BY A LICENSED CRAFT
34 PRODUCER OR A PRODUCER THAT IS FEDERAL EXCISE TAX PAID, BOTTLED, LABELED
35 AND COMMERCIALY AVAILABLE FOR WHOLESALE OR RETAIL.

36 ~~33.~~ 42. "Registered alcohol OR ADULT HEMP BEVERAGE delivery
37 contractor":

38 (a) Means a person who delivers spirituous liquor OR ADULT HEMP
39 BEVERAGES to a consumer on behalf of a bar, beer and wine bar, liquor
40 store, beer and wine store or restaurant.

41 (b) Does not include:

42 (i) A motor carrier as defined in section 28-5201.

43 (ii) An independent contractor, a subcontractor of an independent
44 contractor, an employee of an independent contractor or an employee of a
45 subcontractor as provided in section 4-203, subsection J.

1 ~~34.~~ 43. "Registered mail" includes certified mail.
2 ~~35.~~ 44. "Registered retail agent" means any person who is
3 authorized pursuant to section 4-222 to purchase spirituous liquors OR
4 ADULT HEMP BEVERAGES for and on behalf of the person and other retail
5 licensees.
6 ~~36.~~ 45. "Repeated acts of violence" means:
7 (a) For licensed premises with a permanent occupancy of two hundred
8 or fewer persons, two or more acts of violence occurring within seven days
9 or three or more acts of violence occurring within thirty days.
10 (b) For licensed premises with a permanent occupancy of more than
11 two hundred but not more than four hundred persons, four or more acts of
12 violence within thirty days.
13 (c) For licensed premises with a permanent occupancy of more than
14 four hundred but not more than six hundred fifty persons, five or more
15 acts of violence within thirty days.
16 (d) For licensed premises with a permanent occupancy of more than
17 six hundred fifty but not more than one thousand fifty persons, six or
18 more acts of violence within thirty days.
19 (e) For licensed premises with a permanent occupancy of more than
20 one thousand fifty persons, seven or more acts of violence within thirty
21 days.
22 ~~37.~~ 46. "Sell" includes soliciting or receiving an order for,
23 keeping or exposing for sale, directly or indirectly delivering for value,
24 peddling, keeping with intent to sell and trafficking in.
25 ~~38.~~ 47. "Spirituous liquor" includes alcohol, brandy, whiskey,
26 rum, tequila, mescal, gin, wine, porter, ale, beer, any malt liquor or
27 malt beverage, absinthe, a compound or mixture of any of them or of any of
28 them with any vegetable or other substance, alcohol bitters, bitters
29 containing alcohol, any liquid mixture or preparation, whether patented or
30 otherwise, that produces intoxication, fruits preserved in ardent spirits,
31 and beverages containing more than one-half of one percent of alcohol by
32 volume.
33 ~~39.~~ 48. "Tamperproof sealed" means designed to prevent consumption
34 without the removal of a tamperproof cap, seal, cork or closure that has a
35 device, mechanism or adhesive that clearly shows whether a container has
36 been opened.
37 49. "TOTAL TETRAHYDROCANNABINOL" MEANS ANY COMBINATION OF
38 TETRAHYDROCANNABINOLIC ACID OR A TETRAHYDROCANNABINOL COMPONENT OR ANY
39 DERIVATIVE THEREOF.
40 ~~40.~~ 50. "Vehicle" means any means of transportation by land, water
41 or air, and includes everything made use of in any way for such
42 transportation.
43 ~~41.~~ 51. "Vending machine" means a machine that dispenses
44 merchandise through the means of coin, token, credit card or other
45 nonpersonal means of accepting payment for merchandise received.

1 ~~42.~~ 52. "Veteran" means a person who has served in the United
2 States air force, army, navy, marine corps or coast guard, as an active
3 nurse in the services of the American red cross, in the army and navy
4 nurse corps in time of war, or in any expedition of the armed forces of
5 the United States, and who has received a discharge other than
6 dishonorable.

7 ~~43.~~ 53. "Voting security" means any security presently entitling
8 the owner or holder of the security to vote for the election of directors
9 of an applicant or a licensee.

10 ~~44.~~ 54. "Wine" means the product obtained by the fermentation of
11 grapes, other agricultural products containing natural or added sugar or
12 cider or any such alcoholic beverage fortified with grape brandy and
13 containing not more than twenty-four percent of alcohol by volume.

14 Sec. 4. Section 4-112, Arizona Revised Statutes, is amended to
15 read:

16 4-112. Powers and duties of board and director of department
17 of liquor licenses and control; investigations;
18 county and municipal regulation; definition

19 A. The board shall:

20 1. Grant and deny applications in accordance with ~~the provisions of~~
21 this title.

22 2. Adopt rules in order to carry out ~~the provisions of~~ this
23 section.

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

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

27 1. Adopting rules:

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

29 (b) For the proper conduct of the business to be carried on under
30 each specific type of spirituous liquor **OR ADULT HEMP BEVERAGES** license.

31 (c) To enable and assist state officials and political subdivisions
32 to collect taxes levied or imposed in connection with spirituous liquors
33 **OR ADULT HEMP BEVERAGES**.

34 (d) For the issuance and revocation of certificates of registration
35 of retail agents, including provisions governing the shipping, storage and
36 delivery of spirituous liquors **OR ADULT HEMP BEVERAGES** by registered
37 retail agents, the keeping of records and the filing of reports by
38 registered retail agents.

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

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

43 3. Keeping an index record that is a public record open to public
44 inspection and that contains the name and address of each licensee and the
45 name and address of any person having an interest, either legal or

1 equitable, in each license as shown by any written document that is placed
2 on file in the office of the board.

3 4. Providing the board with supplies and personnel as directed by
4 the board.

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

11 6. Taking steps that are necessary to maintain effective liaison
12 with the department of public safety and all local law enforcement
13 agencies in the enforcement of this title including the laws of this state
14 against the consumption of spirituous liquor by persons under the legal
15 drinking age.

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

18 C. The director shall establish within the department a separate
19 investigations unit that has as its sole responsibility the investigation
20 of compliance with this title, including the investigation of licensees
21 alleged to have sold or distributed spirituous liquor OR ADULT HEMP
22 BEVERAGES in any form to persons under the legal drinking age.
23 Investigations conducted by this unit may include covert undercover
24 investigations.

25 D. All employees of the department of liquor licenses and control,
26 except members of the state liquor board and the director of the
27 department, shall be employed by the department in the manner prescribed
28 by the department of administration.

29 E. The director may enter into a contract or agreement with any
30 public agency for any joint or cooperative action as provided for by title
31 11, chapter 7, article 3.

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

1 G. The director may:

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

3 2. Require applicants, licensees, employees who serve, sell or
4 furnish spirituous liquors to retail customers, managers and managing
5 agents to take training courses approved by the director in spirituous
6 liquor OR ADULT HEMP BEVERAGES handling and spirituous liquor OR ADULT
7 HEMP BEVERAGE laws and rules. The director shall adopt rules that set
8 standards for approving training courses. The director may suspend or
9 revoke the previous approval of trainers who do not adhere to course
10 administration requirements prescribed by the department or who do not
11 meet course standards. If the director suspends or revokes the previous
12 approval of a trainer pursuant to this paragraph, the trainer may appeal
13 to the board pursuant to section 4-210.02 as if the suspension or
14 revocation was a sanction against a licensee. ~~After January 1, 2019,~~ The
15 rules for on-sale retailer basic training and on-sale retailer management
16 training shall include security procedures for security personnel assigned
17 to monitor admission of patrons, interaction with patrons, calls to law
18 enforcement and strategies for use of force and for the use of
19 de-escalation techniques. If the retailer uses a registered security
20 guard, the retailer shall attempt to verify the validity and status of the
21 security guard's registration certificate. The department's licensed
22 investigators may participate and receive compensation as lecturers at
23 approved training courses within this state's jurisdiction that are
24 conducted by other entities but shall not participate in in-house training
25 programs for licensees.

26 3. Delegate to employees of the department authority to exercise
27 powers of the director in order to administer the department.

28 4. Regulate signs that advertise a spirituous liquor OR ADULT HEMP
29 BEVERAGE product at licensed retail premises.

30 5. Cause to be removed from the marketplace spirituous liquor OR
31 ADULT HEMP BEVERAGES that may be contaminated.

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

35 7. Issue and enforce cease and desist orders against any person or
36 entity that sells beer, wine, ~~or~~ spirituous liquor OR ADULT HEMP BEVERAGES
37 without an appropriate license or permit.

38 8. Confiscate wines carrying a label including a reference to
39 Arizona or any Arizona city, town or place unless at least seventy-five
40 percent by volume of the grapes used in making the wine were grown in this
41 state.

42 9. Accept and expend private grants of monies, gifts and devises
43 for conducting educational programs for parents and students on the
44 repercussions of underage alcohol consumption. State general fund monies
45 shall not be expended for the purposes of this paragraph. If the director

1 does not receive sufficient monies from private sources to carry out the
2 purposes of this paragraph, the director shall not provide the educational
3 programs prescribed in this paragraph. Grant monies received pursuant to
4 this paragraph are nonlapsing and do not revert to the state general fund
5 at the close of the fiscal year.

6 10. Procure fingerprint scanning equipment and provide fingerprint
7 services to license applicants and licensees. The department may charge a
8 fee for providing these services.

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

13 12. ~~For use after January 1, 2019,~~ Adopt a form that is required to
14 be used by all on-sale retailers that hire or designate employees to serve
15 as security personnel. All security personnel job applicants and
16 employees for on-sale retailers shall complete the form, which shall be
17 notarized, before assignment to a security role. The form shall require
18 the applicant or other person to disclose whether in the previous five
19 years the person has been a registered sex offender or pled guilty ~~TO~~,
20 pled no contest ~~TO~~ or been convicted of any offense that constitutes
21 assault, homicide, domestic violence, sexual misconduct, misconduct
22 involving a deadly weapon or a drug violation that constitutes the illegal
23 sale, manufacturing, cultivation or transportation for sale of marijuana,
24 a dangerous drug or a narcotic drug. A licensee may not hire or assign to
25 a role as security personnel any person who fails to complete the form or
26 ~~if the~~ ~~WHOSE~~ form discloses one of the listed offenses within the previous
27 five years. The licensee shall maintain on file affidavits of all
28 security personnel hired or designated by the licensee. The form may not
29 be required for a peace officer who is certified by the Arizona peace
30 officer standards and training board or other security personnel who hold
31 a current security guard registration certificate or armed security guard
32 registration certificate issued pursuant to title 32, chapter 26.

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

36 I. For the purposes of this section, "security personnel":

37 1. Includes individuals whose primary assigned responsibilities
38 include the security and safety of employees and patrons of an on-sale
39 retailer premises. ~~Security personnel~~

40 2. Does not include a person whose primary responsibilities include
41 checking the identification cards of patrons to determine compliance with
42 age requirements.

1 Sec. 5. Section 4-114, Arizona Revised Statutes, is amended to
2 read:

3 4-114. Interest in business prohibited; forfeiture of office

4 A. Except for a member designated by the governor to be appointed
5 from the industry, no member of the board or the director or any employee
6 of the department shall be financially interested directly or indirectly
7 in any business licensed to deal in spirituous liquors OR ADULT HEMP
8 BEVERAGES.

9 B. Violation of this section by the director or any member of the
10 board shall be deemed a resignation by such person, and a violation by an
11 employee of the department shall result in ~~his~~ THE EMPLOYEE'S immediate
12 dismissal.

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

15 4-201. Licensing; application procedure in city, town or
16 county; burden of proof

17 A. A person desiring a license to manufacture, PRODUCE, sell or
18 deal in spirituous liquors OR ADULT HEMP BEVERAGES shall apply to the
19 director on a form prescribed and furnished by the director.

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

Notice

A hearing on a liquor license application OR ADULT HEMP BEVERAGES LICENSE APPLICATION shall be held before the local governing body at the following date, time and place:

(Insert date, time and address)

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

(Insert address and telephone number).

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

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

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

E. On receipt of an application for a spirituous liquor license OR ADULT HEMP BEVERAGES MANUFACTURER LICENSE, the director shall set the application for a hearing by the board on a date following the expiration of the time fixed for the submitting of the certified order by the governing body of the city or town or the board of supervisors. If the city or town or the county recommends approval of the license, a hearing is not required unless the director, the board or any aggrieved party requests a hearing on the grounds that the public convenience and the best

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

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

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

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

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

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

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

35 Sec. 7. Section 4-202, Arizona Revised Statutes, is amended to
36 read:

37 4-202. Qualifications of licensees; application; background
38 information; prior convictions

39 A. Every spirituous liquor licensee AND ADULT HEMP BEVERAGES
40 LICENSEE, other than a club licensee, a corporation licensee, a limited
41 liability company licensee or an out-of-state licensee, shall be a citizen
42 of the United States and a bona fide resident of this state or a legal
43 resident alien who is a bona fide resident of this state. If a
44 partnership, each partner shall be a citizen of the United States and a
45 bona fide resident of this state or a legal resident alien who is a bona

1 fide resident of this state, except that for a limited partnership an
 2 individual general partner is required to meet the qualifications of an
 3 individual licensee, a corporate general partner is required to meet the
 4 qualifications of a corporate licensee and a limited partner is not
 5 required to be a citizen of the United States, a legal resident alien or a
 6 bona fide resident of this state. If a corporation or limited liability
 7 company, it shall be a domestic corporation or a foreign corporation or a
 8 limited liability company that has qualified to do business in this state.
 9 A person shall hold a club license, corporation license, limited liability
 10 company license, partnership license or out-of-state license through an
 11 agent who ~~shall be~~ IS a natural person and ~~meet~~ WHO MEETS the
 12 qualifications for licensure, except that an agent for an out-of-state
 13 license as specified in section 4-209, subsection B, paragraph 2 need not
 14 be a resident of this state. Notice of change of agent shall be filed
 15 with the director within thirty days after a change. For the purposes of
 16 this subsection, "agent" means a person who is designated by an applicant
 17 or licensee to receive communications from the department and to file
 18 documents and sign documents for filing with the department on behalf of
 19 the applicant or licensee.

20 B. A person shall file an application for a spirituous liquor
 21 license OR AN ADULT HEMP BEVERAGES MANUFACTURER LICENSE on a form
 22 prescribed by the director. The director shall require any applicant and
 23 may require any controlling person, other than a bank or licensed lending
 24 institution, to furnish background information and to submit a full set of
 25 fingerprints to the department. The department of liquor licenses and
 26 control shall submit the fingerprints to the department of public safety
 27 for the purpose of obtaining a state and federal criminal records check
 28 pursuant to section 41-1750 and Public Law 92-544. The department of
 29 public safety may exchange this fingerprint data with the federal bureau
 30 of investigation. If a license is issued or transferred when fees are
 31 waived pursuant to section 4-209, subsection I, ~~no~~ AN additional
 32 background check is NOT required if the person has already completed a
 33 background investigation in connection with the continuing business.

34 C. Each applicant or licensee shall designate a person who ~~shall be~~
 35 IS responsible for managing the premises. The designated person may be
 36 the applicant or licensee. The manager shall be a natural person and
 37 shall meet all the requirements for licensure. The same person may be
 38 designated as the manager for more than one premises owned by the same
 39 licensee. Notice of a change in the manager shall be filed with the
 40 director within thirty days after a change.

41 D. No license shall be issued to any person who, within one year
 42 before application, has had a license revoked. The director shall not
 43 issue an interim permit or restaurant license to any person who, at the
 44 same location, has been required to surrender a restaurant license
 45 pursuant to section 4-205.02, subsection D or section 4-213 until twelve

months after the date of the surrender. No license shall be issued to or renewed for any person who, within five years before application, has been convicted of a felony, or convicted of an offense in another state that would be a felony in this state. For a conviction of a corporation to be a basis for a denial under this section, the limitations that are provided in section 4-210, subsection A, paragraph 8 shall apply. No corporation shall have its annual license issued or renewed unless it has on file with the department a list of its officers and directors and any stockholders who own ten percent or more of the corporation.

E. The department of liquor licenses and control shall receive criminal history record information from the department of public safety for applicants for employment with the department of liquor licenses and control or for a license issued by the department of liquor licenses and control.

F. The department shall not issue or renew a license for any person who on the request of the director fails to provide the department with complete financial disclosure statements indicating all financial holdings of the person or any other person in or relating to the license applied for, including all cosignatories on financial holdings, land, buildings, leases or other forms of indebtedness that the applicant has incurred or will incur.

Sec. 8. Section 4-203, Arizona Revised Statutes, is amended to read:

4-203. Licenses; issuance; transfer; reversion to state; tastings; rules; off-sale privileges; order requirements

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

1 presumption shall not extend to the personal qualifications of the
2 applicant.

3 B. The license shall be to manufacture, **PRODUCE**, sell or deal in
4 spirituous liquors **OR ADULT HEMP BEVERAGES** only at the place and in the
5 manner provided in the license. A separate license shall be issued for
6 each specific business, and each shall specify:

7 1. The particular spirituous liquors **OR ADULT HEMP BEVERAGES** that
8 the licensee is authorized to **PRODUCE**, manufacture, sell or deal in.

9 2. The place of business for which issued.

10 3. The purpose for which the liquors **OR ADULT HEMP BEVERAGES** may be
11 **PRODUCED**, manufactured or sold.

12 C. A spirituous liquor license issued to a bar, a liquor store or a
13 beer and wine bar shall be transferable as to any permitted location
14 within the same county, if the transfer meets the requirements of an
15 original application. A spirituous liquor license may be transferred to a
16 person qualified to be a licensee, if the transfer is pursuant to either
17 judicial decree, nonjudicial foreclosure of a legal or equitable lien,
18 including security interests held by financial institutions pursuant to
19 section 4-205.05, a sale of the license, a bona fide sale of the entire
20 business and stock in trade, or other bona fide transactions that are
21 provided for by rule. Any change in ownership of the business of a
22 licensee, directly or indirectly, as defined by rule is deemed a transfer,
23 except that there is no transfer if a new artificial person is added to
24 the ownership of a licensee's business but the controlling persons remain
25 identical to the controlling persons that have been previously disclosed
26 to the director as part of the licensee's existing ownership. **THE NEW**
27 **OWNER OF A LICENSE TRANSFERRED PURSUANT TO THIS SUBSECTION THAT INCLUDES**
28 **LICENSING FOR ADULT HEMP BEVERAGES MAY ELECT TO REMOVE ADULT HEMP**
29 **BEVERAGES FROM THE TRANSFERRED LICENSE BY NOTIFYING THE DEPARTMENT.**

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

39 E. A person who assigns, surrenders, transfers or sells control of
40 a **SPIRITUOUS** liquor license or business that has a spirituous liquor
41 license shall notify the director within thirty business days after the
42 assignment, surrender, transfer or sale. A spirituous liquor license
43 shall not be leased or subleased. A concession agreement entered into
44 under section 4-205.03 is not considered a lease or sublease in violation
45 of this section.

1 F. If a person other than those persons originally licensed
2 acquires control over a license or licensee, the person shall file notice
3 of the acquisition with the director within thirty business days after the
4 acquisition of control and a list of officers, directors or other
5 controlling persons on a form prescribed by the director. There is no
6 acquisition of control if a new person is added to the ownership of a
7 licensee's business but the controlling persons remain identical to the
8 controlling persons that have been previously disclosed to the director as
9 part of the licensee's existing ownership. All officers, directors or
10 other controlling persons shall meet the qualifications for licensure as
11 prescribed by this title. On request, the director shall conduct a
12 preinvestigation before the assignment, sale or transfer of control of a
13 license or licensee, the reasonable costs of which, not more than \$1,000,
14 shall be borne by the applicant. The preinvestigation shall determine
15 whether the qualifications for licensure as prescribed by this title are
16 met. On receipt of notice of an acquisition of control or request of a
17 preinvestigation, the director, within fifteen days after receipt, shall
18 forward the notice of the acquisition of control to the local governing
19 body of the city or town, if the licensed premises is in an incorporated
20 area, or the county, if the licensed premises is in an unincorporated
21 area. The director shall include in the notice to the local governing
22 body written instructions on how the local governing body may examine,
23 free of charge, the results of the department's investigation regarding
24 the capabilities, qualifications and reliability of all officers,
25 directors or other controlling persons listed in the application for
26 acquisition of control. The local governing body, or the governing body's
27 designee, may provide the director with a recommendation, either in favor
28 of or against the acquisition of control, within sixty days after the
29 director mails the notice, but section 4-201 does not apply to the
30 acquisition of control provided for in this section. A local governing
31 body may charge not more than one fee, regardless of the number of
32 licenses held by the applicant, for review of one or more applications for
33 acquisition of control submitted to the department at the same time and
34 for the same entity. Within one hundred five days after filing the notice
35 of the acquisition of control, the director shall determine whether the
36 applicant is qualified, capable and reliable for licensure. A
37 recommendation by the local governing body, or the governing body's
38 designee, against the acquisition of control or denial by the director
39 shall be set for a hearing before the board. The person who has acquired
40 control of a license or licensee has the burden of an original application
41 at the hearing, and the board shall make its determination pursuant to
42 section 4-202 and this section with respect to capability, reliability and
43 qualification.

44 G. A licensee who holds a license in nonuse status for more than
45 five months shall be required to pay a \$100 surcharge for each month

thereafter. The surcharge shall be paid at the time the license is returned to active status. A license automatically reverts to the state after being held in continuous nonuse for more than thirty-six months. The director may waive the surcharge and may extend the time period provided in this subsection for good cause if the licensee files a written request for an extension of time to place the license in active status before the date of the automatic reversion. Unless the reverted license of the licensee has been subsequently reissued, the director shall relieve a licensee or its legal representative from a prior license reversion under this section if the request for such relief is filed in writing not later than two years after the date of reversion. A license shall not be deemed to have gone into active status if the license is transferred to a location that at the time of or immediately before the transfer had an active license of the same type, unless the licenses are under common ownership or control.

H. A restructuring of a licensee's business is not an acquisition of control, a transfer of a spirituous liquor license or the issuance of a new spirituous liquor license OR AN ADULT HEMP BEVERAGES MANUFACTURER LICENSE if both of the following apply:

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

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

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

J. Notwithstanding subsection B of this section, the holder of a retail license in this state having off-sale privileges, except a bar, beer and wine bar or restaurant licensee, may take orders by telephone, mail, fax or catalog, through the internet or by other means for the sale and delivery of spirituous liquor OR ADULT HEMP BEVERAGES off of the licensed premises to a person in this state in connection with the sale of spirituous liquor OR ADULT HEMP BEVERAGES. Notwithstanding the definition of "sell" prescribed in section 4-101, the placement of an order and payment pursuant to this section is not a sale until delivery has been made. At the time that the order is placed, the licensee shall inform the purchaser that state law requires a purchaser of spirituous liquor OR ADULT HEMP BEVERAGES to be at least twenty-one years of age and that the person accepting delivery of the spirituous liquor OR THE ADULT HEMP BEVERAGES is required to comply with this state's age identification requirements as prescribed in section 4-241, subsections A and K. The licensee may maintain a delivery service and may contract with one or more independent contractors, that may also contract with one or more independent contractors, or may contract with a common carrier for

1 delivery of spirituous liquor OR ADULT HEMP BEVERAGES if the spirituous
2 liquor ~~is~~ OR ADULT HEMP BEVERAGES ARE loaded for delivery at the premises
3 of the retail licensee in this state and delivered in this state. Except
4 if the person delivering the order has personally retrieved and bagged or
5 otherwise packaged the container of spirituous liquor for delivery and the
6 licensee records, or requires to be recorded electronically, the
7 identification information for each delivery, all containers of spirituous
8 liquor OR ADULT HEMP BEVERAGES delivered pursuant to this subsection shall
9 be conspicuously labeled with the words "contains alcohol OR ADULT HEMP
10 BEVERAGES, signature of person who is twenty-one years of age or older is
11 required for delivery". The licensee is responsible for any violation of
12 this title or any rule adopted pursuant to this title that is committed in
13 connection with any sale or delivery of spirituous liquor OR ADULT HEMP
14 BEVERAGES. Delivery must be made by an employee of the licensee or other
15 authorized person as provided by this section who is at least twenty-one
16 years of age to a customer who is at least twenty-one years of age and who
17 displays an identification at the time of delivery that complies with
18 section 4-241, subsection K. The retail licensee shall collect payment
19 for the full price of the spirituous liquor OR THE ADULT HEMP BEVERAGES
20 from the purchaser before the product leaves the licensed premises. The
21 director shall adopt rules that set operational limits for the delivery of
22 spirituous liquors OR ADULT HEMP BEVERAGES by the holder of a retail
23 license having off-sale privileges. With respect to the delivery of
24 spirituous liquor OR ADULT HEMP BEVERAGES, for any violation of this title
25 or any rule adopted pursuant to this title that is based on the act or
26 omission of a licensee's employee or other authorized person, the
27 mitigation provision of section 4-210, subsection G applies, with the
28 exception of the training requirement. For the purposes of this
29 subsection and notwithstanding the definition of "sell" prescribed in
30 section 4-101, section 4-241, subsections A and K apply only at the time
31 of delivery. For the purposes of compliance with this subsection, an
32 independent contractor, a subcontractor of an independent contractor, the
33 employee of an independent contractor or the employee of a subcontractor
34 is deemed to be acting on behalf of the licensee when making a delivery of
35 spirituous liquor OR ADULT HEMP BEVERAGES for the licensee.

36 K. Except as provided in subsection J of this section, Arizona
37 licensees may transport spirituous liquors OR ADULT HEMP BEVERAGES for
38 themselves in vehicles owned, leased or rented by the licensee.

39 L. Notwithstanding subsection B of this section, an off-sale retail
40 licensee may provide consumer tasting of wines OR ADULT HEMP BEVERAGES off
41 of the licensed premises subject to all applicable provisions of section
42 4-206.01.

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

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

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

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

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

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

24 S. Notwithstanding subsection B of this section, bar, beer and wine
25 bar, liquor store, beer and wine store or restaurant licensees in this
26 state may take orders by telephone, mail, fax or catalog, through the
27 internet or by other means for the sale and delivery of spirituous liquor
28 OR ADULT HEMP BEVERAGES off the licensed premises as follows:

29 1. Bar licensees for beer, wine, distilled spirits, ~~and~~ mixed
30 cocktails AND ADULT HEMP BEVERAGES.

31 2. Beer and wine bar licensees for beer, ~~and~~ wine AND ADULT HEMP
32 BEVERAGES.

33 3. Liquor store licensees for beer, wine, distilled spirits, ~~and~~
34 mixed cocktails AND ADULT HEMP BEVERAGES.

35 4. Beer and wine store licensees for beer, ~~and~~ wine AND ADULT HEMP
36 BEVERAGES.

37 5. Restaurant licensees for any of the following:

38 (a) Mixed cocktails, with the sale of menu food items for
39 consumption on or off the licensed premises, if the restaurant holds a
40 permit issued pursuant to section 4-203.07 and section 4-205.02,
41 subsection K or a lease pursuant to section 4-203.06.

42 (b) Beer if the restaurant holds a permit issued pursuant to
43 section 4-205.02, subsection H.

(c) Beer, wine, ~~and~~ distilled spirits AND ADULT HEMP BEVERAGES if the restaurant holds an off-sale privileges lease with a bar or liquor store pursuant to section 4-203.07.

(d) Beer, ~~and~~ wine AND ADULT HEMP BEVERAGES if the restaurant holds an off-sale privileges lease with a beer and wine bar pursuant to section 4-203.07.

T. Notwithstanding the definition of "sell" prescribed in section 4-101, placing an order and paying for that order pursuant to subsection S of this section is not a sale until delivery has been made. At the time that the order is placed, the licensee shall inform the purchaser that state law requires a purchaser of spirituous liquor OR ADULT HEMP BEVERAGES to be at least twenty-one years of age and that the person accepting delivery of the spirituous liquor OR ADULT HEMP BEVERAGE is required to comply with this state's age identification requirements as prescribed in section 4-241, subsections A and K. The licensee may maintain a delivery service and may contract with one or more alcohol AND ADULT HEMP BEVERAGE delivery contractors registered pursuant to section 4-205.13 for delivery of spirituous liquor OR ADULT HEMP BEVERAGES if the spirituous liquor ~~is~~ OR THE ADULT HEMP BEVERAGES ARE packaged and tamperproof sealed by the bar, beer and wine bar, liquor store, beer and wine store or restaurant licensee or the licensee's employee and is loaded for delivery at the premises of the restaurant, beer and wine bar, liquor store, beer and wine store or bar licensee in this state and delivered in this state on the same business day. A liquor store or beer and wine store licensee may contract with one or more independent contractors as provided in subsection J of this section for delivery of spirituous liquor OR ADULT HEMP BEVERAGES if the spirituous liquor ~~is~~ OR ADULT HEMP BEVERAGES ARE loaded for delivery at the premises of the liquor store or beer and wine store licensee in this state and delivered in this state on the same business day. All containers of spirituous liquor OR ADULT HEMP BEVERAGES delivered pursuant to subsection S of this section shall be tamperproof sealed and conspicuously labeled with the words "contains alcohol OR ADULT HEMP BEVERAGES, signature of person who is twenty-one years of age or older is required for delivery". The licensee is responsible for any violation of this title or any rule adopted pursuant to this title that is committed in connection with any sale or delivery of spirituous liquor OR ADULT HEMP BEVERAGES. Delivery must be made by an employee of the licensee or an employee or authorized independent contractor of a registered alcohol delivery contractor as provided by this section who is at least twenty-one years of age and delivery must be made to a customer who is at least twenty-one years of age and who displays an identification at the time of delivery that complies with section 4-241, subsection K. The restaurant, beer and wine bar, liquor store, beer and wine store or bar licensee shall collect payment for the full price of the spirituous liquor OR ADULT HEMP BEVERAGE from the purchaser before the

product leaves the licensed premises. The director shall adopt rules that set operational limits for the delivery of spirituous liquor OR ADULT HEMP BEVERAGE pursuant to this subsection and subsection S of this section with respect to the delivery of spirituous liquor. For any violation of this title or any rule adopted pursuant to this title that is based on the act or omission of a licensee's employee or a registered alcohol delivery contractor, the mitigation provision of section 4-210, subsection G applies, with the exception of the training requirement. For the purposes of this subsection and notwithstanding the definition of "sell" prescribed in section 4-101, section 4-241, subsections A and K apply only at the time of delivery. An alcohol AND ADULT HEMP BEVERAGE delivery contractor, a subcontractor of an alcohol AND ADULT HEMP BEVERAGE delivery contractor, an employee of an alcohol AND ADULT HEMP BEVERAGE delivery contractor or an employee of a subcontractor is deemed to be acting on behalf of the licensee when making a delivery of spirituous liquor OR ADULT HEMP BEVERAGES for the licensee. For the purposes of this subsection, "business day" means between the hours of 6:00 a.m. of one day and 2:00 a.m. of the next day.

U. A licensee that has off-sale privileges and that delivers spirituous liquor OR ADULT HEMP BEVERAGES as prescribed in this section shall complete a written record of each delivery at the time of delivery. The written record shall include all of the following:

1. The name of the licensee making the delivery.
2. The complete address of the licensee making the delivery.
3. The licensee's license number.
4. The date and time of the delivery.
5. The address where the delivery was made.
6. The type and brand of all spirituous liquor OR ADULT HEMP BEVERAGE delivered.

V. A licensee that has off-sale privileges and that delivers spirituous liquor OR ADULT HEMP BEVERAGES as prescribed in this section shall obtain the following information from the individual who accepts delivery:

1. The individual's name.
2. The individual's date of birth.
3. The individual's signature. The licensee making the delivery may use an electronic signature system to comply with the requirements of this paragraph.

Sec. 9. Section 4-204, Arizona Revised Statutes, is amended to read:

4-204. Personal representative or fiduciary acting for licensee

A. A person acting as administrator, executor or guardian of the estate of any licensee or a person acting as receiver for any licensee, trustee of the bankrupt estate of any licensee or assignee for the benefit

of creditors of a licensee is authorized, ~~upon~~ ON receiving permission from the director, to sell and deal in spirituous liquors OR ADULT HEMP BEVERAGES under authority of the license issued to the licensee for whom the person is acting for a period not exceeding twenty-four months ~~from~~ AFTER the date of the appointment of such person as administrator, executor, guardian, receiver, trustee or assignee for the benefit of creditors.

B. ~~The provisions of~~ This section ~~shall~~ DOES not apply if at any time during the twenty-four months an administrator, executor or guardian of the estate of a licensee who has received the permission from the director as provided in subsection A of this section transfers the license to the surviving spouse or the guardian of the minor child of the licensee.

C. A person, authorized representative or assignee, meeting the qualifications of section 4-202, not licensed under ~~the provisions of~~ this chapter, AND owning or possessing spirituous liquor OR ADULT HEMP BEVERAGES as a result of enforcement of a security interest in the property of a wholesaler licensed under this chapter is authorized, ~~upon~~ ON receiving permission from the director, to sell such spirituous liquor OR ADULT HEMP BEVERAGES to a licensee authorized to sell spirituous liquor OR ADULT HEMP BEVERAGES for resale. Sections 4-201, 4-203 and 4-243.01 ~~shall~~ DO not apply to nor restrict the authority granted under this ~~provision~~ SUBSECTION.

Sec. 10. Section 4-205, Arizona Revised Statutes, is amended to read:

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

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

B. The holder of a club license is authorized to sell and serve alcoholic beverages OR ADULT HEMP BEVERAGES for consumption only within the licensed establishment owned, leased or occupied by the club, and only to bona fide members of the club, and to serve and sell to members' bona fide guests. Attendance at private clubs is limited to enrolled members of the club and their spouses, families and bona fide guests. Admitted nonmember guests shall not exceed more than fifty percent of attendance during any month. This provision shall not limit the ability of a member or the club to host wedding receptions, group meetings, civic association meetings, scheduled social functions, including bingo games, and other member or club hosted functions where individuals are not admitted on the basis of being a guest of a member of the club and attendance at the event shall not be considered in computing the fifty percent requirement. Member recruitment events that are hosted by the club or other members where individuals are not admitted on the basis of being a guest of a member of the club or not in attendance at other specified events

1 authorized in this section shall be limited to not more than twelve events
2 in a calendar year for each club.

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

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

16 E. A club may not hold a spirituous liquor license OR AN ADULT HEMP
17 BEVERAGES MANUFACTURER LICENSE other than one issued pursuant to this
18 section, except that any club that on January 1, 1975 holds a spirituous
19 liquor license other than one issued pursuant to this section may use the
20 license until such time as the license is revoked or reverted.

21 Sec. 11. Section 4-205.01, Arizona Revised Statutes, is amended to
22 read:

23 4-205.01. Hotel-motel license; issuance; revocation

24 A. The director may issue a hotel-motel license to any hotel or
25 motel in this state that has in conjunction with such hotel or motel a
26 restaurant where food is served.

27 B. The director shall issue the license in the name of the hotel or
28 motel upon application for the license by the owner or lessee of the motel
29 or hotel, provided the applicant is otherwise qualified to hold a
30 spirituous liquor license. The holder of such license is subject to the
31 penalties prescribed for any violation of the law relating to alcoholic
32 beverages OR ADULT HEMP BEVERAGES.

33 C. The holder of a hotel-motel license may sell and serve
34 spirituous liquors OR ADULT HEMP BEVERAGES solely for consumption on the
35 licensed premises. For the purpose of this subsection, "licensed
36 premises" shall include all public and private rooms, facilities and areas
37 in which spirituous liquors OR ADULT HEMP BEVERAGES may be sold or served
38 in the normal operating procedures of the hotel or motel.

39 D. In addition to other grounds prescribed in this title upon which
40 a license may be revoked, the director may revoke a hotel-motel license
41 issued pursuant to this section in any case in which the licensee ceases
42 to operate as a hotel or motel, as prescribed in subsection A of this
43 section.

44 E. For the purposes of this section, the licensee shall be subject
45 to the standards and qualifications of a restaurant licensee as provided

1 in section 4-205.02. If an independent person or entity manages and
 2 supervises the sale and service of spirituous liquor OR ADULT HEMP
 3 BEVERAGES at the premises pursuant to section 4-243.04, subsection A,
 4 paragraph 3, the person or entity may contract with the owner of the
 5 premises to sell and serve food on the premises. For the purpose of
 6 determining whether forty ~~per cent~~ PERCENT of the licensee's gross
 7 revenues are derived from the sale of food, sales of food made by the
 8 owner of the premises are deemed sales of food made by the licensee.

9 Sec. 12. Section 4-205.02, Arizona Revised Statutes, is amended to
 10 read:

11 4-205.02. Restaurant license; issuance; regulatory
 12 provisions; expiration; off-sale leases and
 13 permits; fee; definitions

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

19 B. The director shall issue the license in the name of the
 20 restaurant on application for the license by the owner or lessee of the
 21 restaurant, if the applicant is otherwise qualified to hold a spirituous
 22 liquor license. The holder of such a license is subject to the penalties
 23 prescribed for any violation of the law relating to alcoholic beverages OR
 24 ADULT HEMP BEVERAGES.

25 C. The holder of a restaurant license may sell and serve spirituous
 26 liquors OR ADULT HEMP BEVERAGES solely for consumption on the licensed
 27 premises. For the purpose of this subsection, "licensed premises" may
 28 include rooms, areas or locations in which the restaurant normally sells
 29 or serves spirituous liquors OR ADULT HEMP BEVERAGES pursuant to regular
 30 operating procedures and practices and that are contiguous to the
 31 restaurant or a noncontiguous patio pursuant to section 4-101, paragraph
 32 ~~32~~ 40. For the purposes of this subsection, a restaurant licensee must
 33 submit proof of tenancy or permission from the landowner or lessor for all
 34 property to be included in the licensed premises.

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

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

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

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

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

35 I. Notwithstanding any rule adopted by the department, business
36 establishments that relied on a form issued by the department that
37 provides for a small restaurant exemption for fifty or fewer seats before
38 January 31, 2019 are allowed to continue to maintain the capacity of fifty
39 or fewer seats for the duration of the business. The rights of a business
40 establishment subject to this section are not transferable.

41 J. Notwithstanding section 4-203, subsection E, section 4-207 and
42 section 4-210, subsection A, paragraph 6, through December 31, 2025, a
43 restaurant applicant or licensee may apply to the department for a lease
44 for the privilege of selling mixed cocktails for consumption off the

1 licensed premises pursuant to section 4-203.06 and section 4-244,
2 paragraph 32, subdivision (d).

3 K. Notwithstanding section 4-207, beginning January 1, 2026, a
4 restaurant applicant or licensee may apply for a permit to allow the sale
5 of mixed cocktails for consumption off the licensed premises pursuant to
6 section 4-203.07 and section 4-244, paragraph 32, subdivision (d), on a
7 form prescribed and furnished by the director. The sale of mixed
8 cocktails for consumption off the licensed premises must be accompanied by
9 the sale of menu food items for consumption on or off the licensed
10 premises. The department shall issue the permit only after the director
11 has determined that the public convenience requires and that the best
12 interest of the community will be substantially served by issuing the
13 permit. All permit holders and their employees, managers and agents must
14 complete alcohol training pursuant to section 4-112, subsection G,
15 paragraph 2. After the department issues the permit, the permit shall be
16 noted on the license itself and in the records of the department. The
17 director may establish and charge a fee for processing the permit
18 application and a renewal fee.

19 L. A restaurant licensee shall cease selling spirituous liquor,
20 including mixed cocktails OR ADULT HEMP BEVERAGES, for off-premises
21 consumption when the licensee ceases regular kitchen service for food.

22 M. For the purposes of this section:

23 1. "Gross revenue":

24 (a) Means the revenue derived from all sales of food and spirituous
25 liquor OR ADULT HEMP BEVERAGES on the licensed premises, regardless of
26 whether the sales of spirituous liquor OR ADULT HEMP BEVERAGES are made
27 under a restaurant license issued pursuant to this section or under any
28 other license that has been issued for the premises pursuant to this
29 article.

30 (b) Includes revenue derived from spirituous liquor sold for
31 off-sale consumption.

32 2. "Restaurant" means an establishment that derives at least forty
33 percent of its gross revenue from the sale of food, including sales of
34 food for consumption off the licensed premises if the amount of these
35 sales included in the calculation of gross revenue from the sale of food
36 does not exceed fifteen percent of all gross revenue of the restaurant.

37 Sec. 13. Section 4-205.04, Arizona Revised Statutes, is amended to
38 read:

39 4-205.04. Farm winery license; issuance; regulatory
40 provisions; retail site; fee; definition

41 A. The director may issue a farm winery license to any person who
42 meets the requirements of subsection C of this section. Each location
43 that engages in producing ~~or manufacturing~~ these products must obtain a
44 separate farm winery license. The licensee may not transfer the farm
45 winery license from person to person or from location to location.

1 B. An applicant for a farm winery license, at the time of filing
 2 the application for the license, shall accompany the application with the
 3 license fee. A person who holds a farm winery license shall report
 4 annually at the end of each calendar year, at the time and in the manner
 5 as the director prescribes, the amount of wine produced ~~or manufactured~~ by
 6 the licensee during the calendar year. In addition to any provision of
 7 this title, if the total amount of wine produced ~~or manufactured~~ during
 8 the year exceeds the amount permitted annually by the license, the
 9 licensee shall apply for and receive a producer's license only on
 10 surrender of the farm winery license or licenses.

11 C. A person may be licensed as a farm winery to sell wine produced
 12 ~~or manufactured~~ if in a calendar year it produces at least two hundred
 13 gallons and not more than forty thousand gallons of wine and if the winery
 14 either holds a winery permit issued by the United States alcohol and
 15 tobacco tax and trade bureau or has a contract pursuant to subsection D of
 16 this section for the production ~~or manufacturing~~ of wine from grapes or
 17 other fruit grown on at least five producing acres of land owned or
 18 controlled by the applicant and the land has been devoted to fruit growing
 19 for at least three consecutive calendar years. THE TOTAL QUANTITY OF
 20 ADULT HEMP BEVERAGES SOLD SHALL NOT EXCEED TWENTY THOUSAND GALLONS IN A
 21 CALENDAR YEAR AND THE TOTAL QUANTITY OF ADULT HEMP BEVERAGES MANUFACTURED
 22 SHALL NOT BE AGGREGATED WITH THE TOTAL QUANTITY OF WINE PRODUCED. A
 23 licensed farm winery may make sales and deliveries of wine OR ADULT HEMP
 24 BEVERAGES only as specifically provided in this section and as follows:

25 1. A licensed farm winery may make sales and deliveries of wine OR
 26 ADULT HEMP BEVERAGES to wholesalers licensed to sell wine OR ADULT HEMP
 27 BEVERAGES under this title.

28 2. A licensed farm winery may serve wine OR ADULT HEMP BEVERAGES
 29 produced or manufactured on the premises for the purpose of sampling the
 30 wine OR ADULT HEMP BEVERAGES. The wine may include wine produced pursuant
 31 to subsection D of this section and section 4-243.03.

32 3. A representative of the licensed farm winery may consume small
 33 amounts of the products of the licensed farm winery on the premises for
 34 the purpose of sampling the wine OR ADULT HEMP BEVERAGE. The wine may
 35 include wine produced pursuant to subsection D of this section and section
 36 4-243.03.

37 4. A licensed farm winery may sell to a consumer physically present
 38 on the premises wine OR ADULT HEMP BEVERAGES produced or manufactured on
 39 the premises in the original container for consumption on or off the
 40 premises. The wine may include wine produced pursuant to subsection D of
 41 this section and section 4-243.03.

42 5. A licensed farm winery may purchase and sell wine produced,
 43 packaged and labeled OR ADULT HEMP BEVERAGES MANUFACTURED by another
 44 licensed farm winery for sampling and consumption on or off the premises
 45 only if the retail sale is to a consumer physically present on the

1 premises of the farm winery, except that the sales of wine produced,
2 packaged and labeled OR ADULT HEMP BEVERAGES MANUFACTURED by another
3 winery may not exceed twenty percent of the farm winery's sales by
4 volume. The percentage limitation shall not apply to wine produced
5 pursuant to subsection D of this section and section 4-243.03.

6 6. If the licensed farm winery is not otherwise engaged in the
7 business of a distiller, vintner, brewer, rectifier, blender or other
8 producer of spirituous liquor in any jurisdiction, the licensed farm
9 winery may hold licenses prescribed in section 4-209, subsection B,
10 paragraph 12 on the licensed farm winery premises or other retail
11 premises. Except as provided in paragraph 5 of this subsection, the
12 licensed farm winery shall purchase all other spirituous liquor OR ADULT
13 HEMP BEVERAGES for sale at the on-sale retail premises from wholesalers
14 that are licensed in this state, except that a licensed farm winery may:

15 (a) Purchase wine OR ADULT HEMP BEVERAGES from other farm wineries
16 pursuant to paragraph 7 of this subsection.

17 (b) Make deliveries of the wine that the farm winery produces OR
18 THE ADULT HEMP BEVERAGES THAT IT MANUFACTURES to the farm winery's own
19 commonly controlled retail licensed premises.

20 7. A licensed farm winery that produces not more than twenty
21 thousand gallons of wine AND THAT MANUFACTURES NOT MORE THAN TWENTY
22 THOUSAND GALLONS OF ADULT HEMP BEVERAGES in a calendar year may make sales
23 and deliveries of the wine OR ADULT HEMP BEVERAGES that the licensed farm
24 winery produces to on-sale and off-sale retailers.

25 8. Notwithstanding section 4-244, paragraphs 3 and 7, an on-sale or
26 off-sale retailer may purchase and accept delivery of wine OR ADULT HEMP
27 BEVERAGES from a licensed farm winery pursuant to paragraph 7 of this
28 subsection.

29 9. A licensed farm winery that produces not more than twenty
30 thousand gallons of wine AND MANUFACTURES NOT MORE THAN TWENTY THOUSAND
31 GALLONS OF ADULT HEMP BEVERAGES in a calendar year may make sales and
32 deliveries of wine that the licensed farm winery produces OR ADULT HEMP
33 BEVERAGES THAT THE FARM WINERY MANUFACTURES to consumers off of the
34 licensed premises and that is ordered by telephone, mail, fax or
35 catalogue, through the internet or by other means if all of the following
36 apply:

37 (a) The purchaser of the wine OR ADULT HEMP BEVERAGE provided the
38 licensed farm winery with verification of the purchaser's legal age to
39 purchase alcohol.

40 (b) The shipping container in which the wine OR ADULT HEMP BEVERAGE
41 is shipped is marked to require the signature on delivery of an adult who
42 is of legal age to purchase alcohol OR ADULT HEMP BEVERAGES and delivery
43 confirmation.

44 (c) The wine ~~is~~ OR ADULT HEMP BEVERAGES ARE for personal use only
45 and not for resale.

1 (d) The wine ~~is~~ OR ADULT HEMP BEVERAGES ARE delivered by the
2 licensed farm winery or shipped by the licensed farm winery by a common
3 carrier to a residential or business address other than a premises
4 licensed pursuant to this title.

5 (e) The purchaser could have carried the wine OR ADULT HEMP
6 BEVERAGES lawfully into or within this state.

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

9 (g) The farm winery collects payment for the price of the
10 spirituous liquor OR ADULT HEMP BEVERAGES not later than at the time of
11 delivery.

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

14 D. A person otherwise qualified to receive a farm winery license
15 may enter into a custom crush arrangement where a licensed winery produces
16 or manufactures wine from grapes or other fruit supplied by the person.
17 The winery receiving the fruit shall be licensed by the United States
18 alcohol and tobacco tax and trade bureau and the department and is
19 responsible for filing all reports that relate to its wine production ~~or~~
20 ~~manufacturing~~ with the United States alcohol and tobacco tax and trade
21 bureau and the department. Each person supplying the grapes or other
22 fruit shall first apply for and receive a farm winery license and shall
23 report to the department all volumes of wine from its custom crush
24 arrangements, which shall not be allocated to the gallonage of the
25 receiving farm winery if the supplying farm winery has an active basic
26 permit issued by the United States alcohol and tobacco tax and trade
27 bureau.

28 E. On application by a farm winery licensee, the director may
29 authorize a farm winery licensee to operate up to two remote tasting and
30 retail premises if:

31 1. The wine OR ADULT HEMP BEVERAGES sold at the premises ~~is~~ ARE
32 limited to wine produced ~~or manufactured~~ by the licensed farm winery OR
33 ADULT HEMP BEVERAGES MANUFACTURED BY THE LICENSED FARM WINERY and wines
34 produced ~~or manufactured~~ by other licensed farm wineries OR ADULT HEMP
35 BEVERAGES MANUFACTURED BY OTHER LICENSED FARM WINERIES, including wines
36 produced ~~or manufactured~~ pursuant to subsection D of this section and
37 section 4-243.03. The farm winery may sell wine OR ADULT HEMP BEVERAGES
38 to a consumer physically present on the premises for consumption on or off
39 the premises. Sales of wines OR ADULT HEMP BEVERAGES not produced or
40 manufactured by the farm winery are limited to not more than twenty
41 percent of the total sales by volume at that location. The percentage
42 limitation shall not apply to wine produced pursuant to subsection D of
43 this section and section 4-243.03.

44 2. The farm winery licensee:

45 (a) Remains responsible for the premises.

1 (b) Obtains approval for the premises from the local governing body
2 before submitting an application to the department. A copy of an order
3 from the local governing body recommending approval of the premises must
4 be filed with the department as part of the application.

5 (c) Does not sublease the premises.

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

8 (e) Meets the qualifications for a license pursuant to section
9 4-203, subsection A.

10 F. A farm winery licensee may hold a craft distiller license issued
11 pursuant to section 4-205.10. The farm winery and craft distiller
12 licensee is subject to all other requirements of this section and section
13 4-205.10. The farm winery may provide sampling and sales of the distilled
14 spirits AND ADULT HEMP BEVERAGES pursuant to section 4-205.10, subsection
15 C, paragraphs 2 and 3 on the same premises as the wine sampling and retail
16 sales.

17 G. The farm winery is liable for any violation committed in
18 connection with any sale or delivery of the wine AND ADULT HEMP BEVERAGE.
19 The rules adopted by the director pursuant to section 4-203, subsection J
20 apply to the delivery of wine AND ADULT HEMP BEVERAGES under subsection C,
21 paragraph 9 of this section. An act or omission of any person who makes a
22 sale or delivery of wine OR ADULT HEMP BEVERAGES for a licensee under
23 subsection C, paragraph 9 of this section is deemed to be an act or
24 omission of the licensee for the purposes of section 4-210, subsection A,
25 paragraph 9.

26 H. A farm winery that sells or delivers wine OR ADULT HEMP
27 BEVERAGES pursuant to this section shall:

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

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

32 I. A delivery of wine OR ADULT HEMP BEVERAGES by a farm winery to a
33 purchaser in this state is a transaction deemed to have occurred in this
34 state.

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

37 K. The director may charge an additional farm winery license fee
38 adopted pursuant to section 4-209 for issuing licenses, authorizations or
39 approvals pursuant to subsections D and E of this section.

40 ~~L. The farm winery licensee that operates primarily as a remote~~
41 ~~tasting room premises may exchange the farm winery license for a remote~~
42 ~~tasting room license without an additional fee, not later than~~
43 ~~December 31, 2018. The new remote tasting room license must be connected~~
44 ~~to a farm winery license, with common ownership, that complies with all~~

~~requirements for a farm winery license pursuant to subsections C and E of this section.~~

~~M.~~ L. Production and storage space of the farm winery is excluded from the licensed farm winery premises and is not the public area unless that space is also used for the sale of wine OR ADULT HEMP BEVERAGES to the public or consumption of or sampling of wine OR ADULT HEMP BEVERAGES by the public or to provide other services to the public. Pursuant to section 4-118, the director, the director's agents or any peace officer may inspect spaces excluded by this subsection. For the purposes of this subsection, "public area" means a place within a farm winery that is accessible to the public and in which the farm winery authorizes the presence of members of the public.

M. FOR THE PURPOSES OF THIS SECTION, WITH RESPECT TO ADULT HEMP BEVERAGES, "MANUFACTURE" OR "MANUFACTURING" MEANS TO COMPOUND, BLEND, INFUSE OR OTHERWISE MAKE OR PREPARE AN ADULT HEMP BEVERAGES PRODUCT.

Sec. 14. Section 4-205.05, Arizona Revised Statutes, is amended to read:

4-205.05. Disposal of seized or recovered liquor and adult hemp beverages

A. The director may issue a temporary permit of any series authorizing the disposal at public auction of spirituous liquor OR ADULT HEMP BEVERAGES that ~~has~~ HAVE been seized by any agency of this state, the federal government, any political subdivision of this state, any financial institution as defined in section 6-101 that has a security interest in a license, the federal government pursuant to statute or a trustee in bankruptcy that acquires the spirituous liquor OR ADULT HEMP BEVERAGES of a debtor. A bid at a public auction shall not be accepted from a licensee if the spirituous liquors OR ADULT HEMP BEVERAGES offered for sale at the auction were seized or acquired from that licensee. The director shall issue the permit only if presented with proper documents of seizure by the appropriate official or the appointment of a trustee in bankruptcy. The director may dispose of seized spirituous liquor OR ADULT HEMP BEVERAGES in whole or in part by public auction, by providing the spirituous liquor OR ADULT HEMP BEVERAGES to law enforcement for training and investigation purposes only or by authorizing a qualified person to recycle the spirituous liquor OR ADULT HEMP BEVERAGES.

B. Spirituous liquor AND ADULT HEMP BEVERAGES with a stated expiration date on the label shall not be offered for sale at public auction after the expiration date and shall either be destroyed or disposed of as provided in this section. The licensed wholesaler that distributes the spirituous liquor brand OR ADULT HEMP BEVERAGE in that sales territory may, but is not required to, accept a return of the SPIRITOUS liquor OR ADULT HEMP BEVERAGE at no cost for disposal or to enable it to be returned to the supplier.

1 Sec. 15. Section 4-205.06, Arizona Revised Statutes, is amended to
2 read:

3 4-205.06. Hotel or motel minibars; rules; definitions

4 A. Notwithstanding any other statute, a hotel or motel may sell
5 spirituous liquor OR ADULT HEMP BEVERAGES in sealed containers in
6 individual portions to its registered guests at any time by means of a
7 minibar located in the guest rooms of those registered guests, if all of
8 the following conditions are met:

9 1. Before providing a key, magnetic card or other similar device
10 required to attain access to the minibar in a particular guest room to the
11 registered guest, or before otherwise providing access to the minibar to
12 the registered guest, the licensee verifies that each registered guest to
13 whom a key, magnetic card or similar device is provided or to whom access
14 is otherwise provided is not a person under the legal drinking age.

15 2. All employees handling the spirituous liquors OR ADULT HEMP
16 BEVERAGES to be placed in the minibar in any guest room, including an
17 employee who inventories or restocks and replenishes the spirituous
18 liquors OR ADULT HEMP BEVERAGES in the minibar, are at least eighteen
19 years of age.

20 3. The minibar is not replenished or restocked with spirituous
21 liquor OR ADULT HEMP BEVERAGES between the hours of 2:00 a.m. and 6:00
22 a.m.

23 4. The minibar is located on the premises of a person who has been
24 issued an on-sale retailer's license.

25 5. The minibar contains ~~no~~ NOT more than thirty individual portions
26 of spirituous liquor OR ADULT HEMP BEVERAGES at any one time.

27 B. A minibar may be part of another cabinet or similar device,
28 whether refrigerated in whole or in part or nonrefrigerated, from which
29 nonalcoholic beverages or food may be purchased by the guests in hotel or
30 motel guest rooms. The portion of the cabinet or similar device in which
31 spirituous liquors OR ADULT HEMP BEVERAGES are stored shall comply with
32 the requirements of this section.

33 C. The director may prescribe rules to regulate the use of a
34 minibar, including rules on the size of containers of spirituous liquors
35 OR ADULT HEMP BEVERAGES and may by rule reduce from thirty the number of
36 containers of spirituous liquor OR ADULT HEMP BEVERAGES placed in the
37 minibar.

38 D. For the purposes of this section:

39 1. "Hotel" or "motel" means an establishment that is licensed to
40 sell spirituous liquors OR ADULT HEMP BEVERAGES and that contains guest
41 room accommodations with respect to which the predominant relationship
42 existing between the occupants of the rooms and the owner or operator of
43 the establishment is that of innkeeper and guest. For the purposes of
44 this paragraph, the existence of other legal relationships as between some
45 occupants and the owner or operator is immaterial.

1 2. "Minibar" means a closed container, either refrigerated in whole
2 or in part or nonrefrigerated, where access to the interior is restricted
3 by means of a locking device that requires the use of a key, magnetic card
4 or similar device.

5 Sec. 16. Section 4-205.08, Arizona Revised Statutes, is amended to
6 read:

7 4-205.08. Microbrewery license; issuance; regulatory
8 provisions; retail site; definition

9 A. The director may issue a microbrewery license to any
10 microbrewery. Each location that engages in producing, manufacturing and
11 bottling these products must obtain a separate microbrewery license. The
12 licensee may not transfer the microbrewery license from person to person
13 or from location to location.

14 B. An applicant for a microbrewery license, at the time of filing
15 the application for the license, shall accompany the application with the
16 license fee. Persons holding a microbrewery license shall report annually
17 at the end of each calendar year, at the time and in the manner as the
18 director prescribes, the amount of beer **OR ADULT HEMP BEVERAGES** produced
19 ~~or manufactured~~ by them during the calendar year and the amount delivered
20 pursuant to subsection D, paragraph 4, subdivision (b) of this section.
21 If the total amount of beer that is produced or **ADULT HEMP BEVERAGES**
22 manufactured during the calendar year exceeds the amount permitted
23 annually by the license, the licensee shall apply for and receive a
24 producer's license only on surrender of the microbrewery license or
25 licenses and shall have no continuing rights as a microbrewery under this
26 section. On the surrender of the microbrewery license or licenses, the
27 licensee shall transfer, surrender or otherwise relinquish control of all
28 of its retail licenses located remotely from a microbrewery.

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

30 1. Sell beer produced or **ADULT HEMP BEVERAGES** manufactured on the
31 premises for consumption on or off the premises.

32 2. Make sales and deliveries of beer that the microbrewery produces
33 or **ADULT HEMP BEVERAGES THAT THE MICROBREWERY** manufactures to persons
34 licensed to sell beer **OR ADULT HEMP BEVERAGES** under this title through
35 wholesalers licensed under this title or as provided in subsection D,
36 paragraph 4, subdivision (a) or (b) of this section.

37 3. Make sales and deliveries of beer that the microbrewery produces
38 or **ADULT HEMP BEVERAGES THAT THE MICROBREWERY** manufactures to persons
39 licensed to sell beer **OR ADULT HEMP BEVERAGES** in another state if lawful
40 under the laws of that state.

41 4. Serve beer produced ~~or manufactured~~ on the premises **OR ADULT**
42 **HEMP BEVERAGES MANUFACTURED ON THE PREMISES** for the purpose of sampling
43 the beer **OR ADULT HEMP BEVERAGES**.

1 5. Sell beer produced or ~~manufactured~~ ADULT HEMP BEVERAGES
2 MANUFACTURED by other microbreweries for consumption only on the premises
3 of the licensee, except that the sales percentage of beer OR ADULT HEMP
4 BEVERAGES from other microbreweries may not exceed twenty percent of the
5 licensee's annual sales of beer OR ADULT HEMP BEVERAGES by volume at the
6 premises. If the other microbrewery has established a distribution
7 relationship with one or more wholesalers who are licensed under this
8 title, the beer OR ADULT HEMP BEVERAGES shall be purchased through those
9 wholesalers.

10 6. Maintain at no charge a tapping equipment system of a licensed
11 retailer when the microbrewery sells beer as provided in subsection D,
12 paragraphs 3 and 4 of this section, including cleaning the tapping
13 equipment system and replacing bonnet washers, friction rings, valve
14 stems, hardware, unions, clamps, air tees, screws, tapping devices, tower
15 heads and single air and beer lines.

16 D. A licensed microbrewery is subject to all of the following
17 requirements:

18 1. The microbrewery shall produce ~~or manufacture~~ not less than ~~five~~
19 ONE thousand gallons of beer in each calendar year following the first
20 year of operation.

21 2. The microbrewery shall not produce ~~or manufacture~~ more than six
22 million two hundred thousand gallons of beer in a calendar year. THE
23 TOTAL QUANTITY OF ADULT HEMP BEVERAGES MANUFACTURED SHALL NOT EXCEED
24 TWENTY THOUSAND GALLONS IN A CALENDAR YEAR AND THE TOTAL QUANTITY OF ADULT
25 HEMP BEVERAGES MANUFACTURED SHALL NOT BE AGGREGATED WITH THE TOTAL
26 QUANTITY OF BEER PRODUCED.

27 3. If retail operations are conducted in conjunction with the
28 microbrewery, the microbrewery may sell other spirituous liquor products
29 OR ADULT HEMP BEVERAGE PRODUCTS if the microbrewery holds an on-sale
30 retail license for a bar, beer and wine bar or restaurant. The
31 microbrewery may be issued up to a combined total of seven retail licenses
32 in this state, whether the premises are located on or adjacent to a
33 microbrewery or remotely from a microbrewery. The limit on the number of
34 retail licenses applies on an aggregated basis to all microbreweries OR
35 OTHER PRODUCER OR MANUFACTURER LICENSES that are under common control of
36 any person with control of the microbrewery.

37 4. The microbrewery may make sales and deliveries of beer that it
38 has produced or ~~manufactured~~ ADULT HEMP BEVERAGES IT HAS MANUFACTURED to
39 both:

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

42 (b) Any other retail licensee in a cumulative amount not to exceed
43 ninety-three thousand gallons OF BEER OR TWENTY THOUSAND GALLONS OF ADULT
44 HEMP BEVERAGES in total for all licensed retailers in any calendar year.

1 E. A microbrewery that produces ~~or manufactures~~ more than one
2 million two hundred forty thousand gallons of beer in a calendar year
3 maintains all of the rights associated with a microbrewery license, except
4 that the microbrewery shall not:

5 1. Apply for or receive a retail license pursuant to subsection D,
6 paragraph 3 of this section for premises that are located remotely from
7 the microbrewery.

8 2. Make sales or deliveries of beer that the microbrewery has
9 produced or ~~manufactured~~ ADULT HEMP BEVERAGES IT HAS MANUFACTURED to any
10 retail licensee as provided in subsection D, paragraph 4 of this section,
11 except for the microbrewery's retail licensees on or adjacent to the
12 microbrewery.

13 F. The gallonage amounts OF BEER OR ADULT HEMP BEVERAGES prescribed
14 in subsection D, paragraph 2 and subsection E of this section apply to the
15 aggregate ~~manufacture or~~ production of all microbreweries that are under
16 common control of any person with control of the microbrewery.

17 G. A microbrewery that is otherwise engaged as a distiller,
18 vintner, brewer, rectifier, blender or other producer of spirituous liquor
19 OR MANUFACTURER OF ADULT HEMP BEVERAGES in any jurisdiction is prohibited
20 from holding any retail license that is located remotely from a
21 microbrewery. This subsection does not prohibit a person with control of
22 more than one microbrewery from conducting retail operations remotely from
23 a microbrewery pursuant to subsection D, paragraph 3 of this section.

24 H. A microbrewery that sells or delivers beer OR ADULT HEMP
25 BEVERAGES pursuant to this section shall:

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

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

30 I. A delivery of beer OR ADULT HEMP BEVERAGES by a microbrewery to
31 a purchaser in this state is a transaction deemed to have occurred in this
32 state.

33 J. The director shall adopt rules to administer this section.

34 K. FOR THE PURPOSES FOR THIS SECTION, WITH RESPECT TO ADULT HEMP
35 BEVERAGES "MANUFACTURE" OR "MANUFACTURING" MEANS TO COMPOUND, BLEND,
36 INFUSE OR OTHERWISE MAKE OR PREPARE AN ADULT HEMP BEVERAGE PRODUCT.

37 Sec. 17. Section 4-205.10, Arizona Revised Statutes, is amended to
38 read:

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

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

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

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

19 C. A person may be licensed as a craft distiller to sell distilled
 20 spirits that are produced ~~or manufactured~~ by the person OR ADULT HEMP
 21 BEVERAGES MANUFACTURED if in a calendar year the person produces ~~or~~
 22 ~~manufactures~~ not more than twenty thousand gallons of distilled spirits
 23 AND MANUFACTURERS NOT MORE THAN TWENTY THOUSAND GALLONS OF ADULT HEMP
 24 BEVERAGES and may make sales and deliveries of distilled spirits OR ADULT
 25 HEMP BEVERAGES only as specified in this section and subject to the
 26 following criteria:

27 1. A licensed craft distiller may make sales and deliveries of
 28 distilled spirits OR ADULT HEMP BEVERAGES to wholesalers that are licensed
 29 to sell distilled spirits OR ADULT HEMP BEVERAGES under this title.

30 2. A licensed craft distiller may serve distilled spirits that are
 31 produced or ~~manufactured~~ ADULT HEMP BEVERAGES MANUFACTURED on the premises
 32 for the purpose of consumption on the premises and may charge for samples
 33 on the premises of the craft distiller.

34 3. A licensed craft distiller may sell distilled spirits that are
 35 produced or ~~manufactured~~ ADULT HEMP BEVERAGES THAT ARE MANUFACTURED on the
 36 premises in the original container for consumption off the premises to a
 37 consumer who is physically present on the premises.

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

44 (a) Purchase distilled spirits OR ADULT HEMP BEVERAGES from other
 45 craft distillers that are licensed in this state. Sales of craft

1 distillery products not produced or manufactured by the craft distiller
2 shall be limited to ~~no~~ NOT more than twenty percent of the total sales by
3 volume.

4 (b) Make deliveries of the distilled spirits OR ADULT HEMP
5 BEVERAGES that the craft distiller manufactures or produces to any
6 commonly controlled retail licensed premises or to the craft distiller's
7 remote tasting rooms and that are authorized pursuant to this paragraph.

8 5. A licensed craft distiller that produces not more than three
9 thousand five hundred sixty-six gallons of distilled spirits in a calendar
10 year may make sales and deliveries of distilled spirits that the licensed
11 craft distiller produces OR ADULT HEMP BEVERAGES THAT THE LICENSED CRAFT
12 DISTILLER MANUFACTURES to on-sale and off-sale retailers.

13 6. Notwithstanding section 4-244, paragraphs 3 and 7, an on-sale or
14 off-sale retailer may purchase and accept delivery of distilled spirits OR
15 ADULT HEMP BEVERAGES from a licensed craft distiller pursuant to paragraph
16 5 of this subsection.

17 7. A licensed craft distiller may make sales and deliveries of
18 distilled spirits that the licensed craft distiller ~~manufactures or~~
19 produces OR ADULT HEMP BEVERAGES THAT THE LICENSED CRAFT DISTILLER
20 MANUFACTURES to consumers off of the licensed premises if the sale or
21 delivery is ordered by telephone, mail, fax, catalogue, the internet or by
22 other means if all of the following conditions exist:

23 (a) The purchaser of the distilled spirits OR ADULT HEMP BEVERAGES
24 provided the licensed craft distiller with verification of the purchaser's
25 legal age to purchase alcohol and a copy of same is maintained in the
26 records of the craft distiller.

27 (b) The shipping container in which the distilled spirits OR ADULT
28 HEMP BEVERAGES are shipped is marked to require the signature on delivery
29 of an adult who is of legal age to purchase alcohol and delivery
30 confirmation.

31 (c) The distilled spirits OR ADULT HEMP BEVERAGES are for personal
32 use only and not for resale.

33 (d) The distilled spirits OR ADULT HEMP BEVERAGES are shipped to a
34 residential or business address other than a premises licensed pursuant to
35 this title.

36 (e) The purchaser could have carried the distilled spirits OR ADULT
37 HEMP BEVERAGES lawfully into or within this state.

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

40 (g) The craft distiller collects payment for the price of the
41 spirituous liquor ~~no~~ OR ADULT HEMP BEVERAGES NOT later than at the time of
42 delivery.

43 8. THE TOTAL QUANTITY OF ADULT HEMP BEVERAGES MANUFACTURED SHALL
44 NOT EXCEED TWENTY THOUSAND GALLONS IN A CALENDAR YEAR AND THE TOTAL

1 QUANTITY OF ADULT HEMP BEVERAGES MANUFACTURED SHALL NOT BE AGGREGATED WITH
2 THE TOTAL QUANTITY OF DISTILLED SPIRITS PRODUCED.

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

6 1. The distilled spirits OR ADULT HEMP BEVERAGES sold at the
7 premises are limited to distilled spirits produced or ~~manufactured~~ ADULT
8 HEMP BEVERAGES MANUFACTURED by the licensed craft distillery and distilled
9 spirits produced or ~~manufactured~~ ADULT HEMP BEVERAGES MANUFACTURED by
10 another licensed craft distillery. The craft distillery may sell to a
11 consumer physically present on the premises distilled spirits produced OR
12 ADULT HEMP BEVERAGES MANUFACTURED by the craft distillery or by other
13 licensed craft distilleries in the original container for consumption on
14 or off the premises. The sales of the distilled spirits produced or
15 manufactured OR ADULT HEMP BEVERAGES MANUFACTURED by other craft
16 distilleries shall not exceed twenty percent of the craft distillery's
17 total sales by volume.

18 2. The craft distiller licensee:

19 (a) Remains responsible for the premises.

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

24 (c) Does not sublease the premises.

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

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

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

31 E. A craft distiller licensee may hold a farm winery license issued
32 pursuant to section 4-205.04. The craft distiller licensee and farm
33 winery licensee are subject to all other requirements of this section and
34 section 4-205.04. The craft distiller may provide sampling and retail
35 sales of distilled spirits OR ADULT HEMP BEVERAGES pursuant to subsection
36 C, paragraphs 2 and 3 of this section on the same premises as the wine
37 sampling and retail sales.

38 F. The craft distiller is liable for any violation that is
39 committed in connection with any sale or delivery of the distilled spirits
40 OR ADULT HEMP BEVERAGES. The rules adopted by the director pursuant to
41 section 4-203, subsection J apply to the delivery of distilled spirits AND
42 ADULT HEMP BEVERAGES under subsection C of this section. An act or
43 omission of any person who makes a sale or delivery of distilled spirits
44 for a licensee under subsection C of this section is deemed to be an act

1 or omission of the licensee for the purposes of section 4-210, subsection
2 A, paragraph 9.

3 G. A craft distiller that sells or delivers distilled spirits OR
4 ADULT HEMP BEVERAGES pursuant to this section shall:

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

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

9 H. A delivery of distilled spirits OR ADULT HEMP BEVERAGES by a
10 craft distiller to a purchaser in this state is a transaction deemed to
11 have occurred in this state.

12 I. The production and storage space of the craft distiller are
13 excluded from the public area of the licensed craft distiller premises.
14 Pursuant to section 4-118, the director, the director's agents or any
15 peace officer may inspect spaces excluded by this subsection. For the
16 purposes of this subsection:

17 1. "Production and storage space" means a bonded area, tax-paid
18 storage area and area that provides no services to the public.

19 2. "Public area" means a place within a licensed and bonded craft
20 distiller that is accessible to the public and in which the craft
21 distiller sells and samples tax-paid product and authorizes the presence
22 of members of the public.

23 J. The director may adopt rules in order to administer this
24 section.

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

27 L. The director may issue a craft distiller license to be located
28 on the same parcel of land as a farm winery licensed pursuant to section
29 4-205.04.

30 M. FOR THE PURPOSES FOR THIS SECTION, WITH RESPECT TO ADULT HEMP
31 BEVERAGES "MANUFACTURE" MEANS TO COMPOUND, BLEND, INFUSE OR OTHERWISE MAKE
32 OR PREPARE AN ADULT HEMP BEVERAGE PRODUCT.

33 Sec. 18. Section 4-205.13, Arizona Revised Statutes, is amended to
34 read:

35 4-205.13. Registered alcohol and adult hemp beverages
36 delivery contractor; issuance; fees; regulatory
37 provisions

38 A. The director may register any person in this state as an alcohol
39 AND ADULT HEMP BEVERAGES delivery contractor for the purposes of
40 delivering spirituous liquor from a bar, beer and wine bar, liquor store,
41 beer and wine store or restaurant licensee to a consumer in this state
42 pursuant to section 4-203, subsections S and T.

43 B. A person shall apply to be a registered alcohol AND ADULT HEMP
44 BEVERAGES delivery contractor on a form prescribed by the director. The
45 director shall require an applicant to provide the controlling person's

1 identification and any background information deemed necessary to identify
 2 the person and to demonstrate proof of the person's authority to conduct
 3 business in this state, including copies of any required state or local
 4 business licenses or permits. The director may establish and charge a
 5 registration fee and a renewal fee to be used for administrative and
 6 enforcement costs associated with alcohol AND ADULT HEMP BEVERAGES
 7 delivery contractors.

8 C. The department shall maintain a list of registered alcohol AND
 9 ADULT HEMP BEVERAGES delivery contractors that are not otherwise in
 10 penalty status pursuant to subsection G of this section.

11 D. The department may require new registered alcohol AND ADULT HEMP
 12 BEVERAGES delivery contractors to complete an approved training course in
 13 accordance with section 4-112, subsection G, paragraph 2. A registered
 14 alcohol AND ADULT HEMP BEVERAGES delivery contractor is subject to
 15 examinations conducted pursuant to section 4-112, subsection G,
 16 paragraph 1.

17 E. The director may refuse to register a person as an alcohol AND
 18 ADULT HEMP BEVERAGES delivery contractor for good cause and may not
 19 register any person as an alcohol AND ADULT HEMP BEVERAGES delivery
 20 contractor if the person has been convicted of a felony in this state or
 21 any other state within five years immediately preceding the application.

22 F. A registered alcohol AND ADULT HEMP BEVERAGES delivery
 23 contractor may deliver spirituous liquor AND ADULT HEMP BEVERAGES to a
 24 consumer in this state on behalf of a bar, beer and wine bar, liquor
 25 store, beer and wine store or restaurant in this state pursuant to section
 26 4-203, subsections S and T, if the registered alcohol delivery contractor
 27 complies with this title. A registered alcohol AND ADULT HEMP BEVERAGES
 28 delivery contractor may contract with one or more independent
 29 subcontractors for the delivery of spirituous liquor AND ADULT HEMP
 30 BEVERAGES to a consumer in this state on behalf of a bar, beer and wine
 31 bar, liquor store, beer and wine store or restaurant in this state
 32 pursuant to section 4-203, subsections S and T. An alcohol AND ADULT HEMP
 33 BEVERAGES delivery contractor, a subcontractor of an alcohol AND ADULT
 34 HEMP BEVERAGES delivery contractor, an employee of an alcohol AND ADULT
 35 HEMP BEVERAGES delivery contractor or an employee of a subcontractor is
 36 deemed to be acting on behalf of the licensee when making a delivery of
 37 spirituous liquor AND ADULT HEMP BEVERAGES for the licensee.

38 G. In addition to all other action that may be taken by the
 39 director for a violation of this title or the rules adopted pursuant to
 40 this title by a registered alcohol AND ADULT HEMP BEVERAGES delivery
 41 contractor and its employees or subcontractors and employees of
 42 subcontractors, the department may limit the right of the registered
 43 alcohol AND ADULT HEMP BEVERAGES delivery contractor to deliver spirituous
 44 liquor AND ADULT HEMP BEVERAGES on behalf of a licensee for a period of up
 45 to one year, after which the alcohol AND ADULT HEMP BEVERAGES delivery

1 contractor shall register with the department to resume delivery of
2 spirituous liquor AND ADULT HEMP BEVERAGES. Any penalty issued pursuant
3 to this subsection may be appealed to the board pursuant to section
4 4-210.02.

5 Sec. 19. Section 4-206.01, Arizona Revised Statutes, is amended to
6 read:

7 4-206.01. Bar, beer and wine bar, liquor store and adult hemp
8 beverages licenses; number permitted; fee;
9 sampling privileges; off-sale permit

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

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

27 ~~C. In each county, the director, each year, shall issue additional~~
28 ~~beer and wine bar licenses at the rate of one for each additional five~~
29 ~~thousand person increase over the population in that county as of July 1,~~
30 ~~2010. Beginning January 1, 2022,~~ In each county, the director, each year,
31 shall issue additional beer and wine bar licenses at the rate of one for
32 each additional ten thousand person increase over the population in that
33 county as of July 1, 2010. For every license that has been surrendered,
34 revoked or reverted in any county, the director may issue a new license of
35 the same series in the same county, except that if there are more than
36 five licenses of a particular class, the director may issue five new
37 licenses plus an additional number of new licenses equivalent to twenty
38 percent of the difference between the number of surrendered, revoked or
39 reverted licenses per year and five. The director may waive the issuance
40 of licenses in a county for one year if there has been no request made to
41 the department for the issuance of a new license of that series. For the
42 purposes of this subsection, the population of a county is deemed to be
43 the population estimated as of July 1 of each year by the office of
44 economic opportunity.

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

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

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

32 G. Bar licenses and beer and wine bar licenses shall be issued and
33 used only if the clear primary purpose and actual primary use is for
34 on-sale retailer privileges. The off-sale privileges associated with a
35 bar license and a beer and wine bar license shall be limited to use, which
36 is clearly auxiliary to the active primary on-sale privilege. A bar
37 license or a beer and wine bar license shall not be issued or used if the
38 associated off-sale use, by total retail spirituous liquor sales **AND ADULT**
39 **HEMP BEVERAGES**, exceeds thirty percent of the sales price of on-sale
40 spirituous liquors **AND ADULT HEMP BEVERAGES** by the licensee at that
41 location. For dual licenses issued pursuant to a single site or where a
42 second license is issued to a site that already has a spirituous liquor
43 license, other than settlement licenses issued as provided by law, the
44 applicant has the burden of establishing that public convenience and the

1 best interest of the community will be served by the issuance of the
2 license.

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

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

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

32 K. An applicant for a liquor store license or a beer and wine store
33 license and the licensee of a liquor store license or a beer and wine
34 store license may apply for sampling privileges associated with the
35 license. Beer and wine store premises containing less than five thousand
36 square feet must dedicate at least seventy-five percent of retail shelf
37 space to the sale of spirituous liquor OR ADULT HEMP BEVERAGES in order to
38 be eligible for sampling privileges. A person desiring a sampling
39 privilege associated with a liquor store license shall apply to the
40 director on a form prescribed and furnished by the director. The
41 application for sampling privileges may be filed for an existing license
42 or may be submitted with an initial license application. The request for
43 sampling approval, the review of the application and the issuance of
44 approval shall be conducted under the same procedures for the issuance of
45 a spirituous liquor license prescribed in section 4-201. After a sampling

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

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

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

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

19 4. The licensee shall not charge any customer for the sampling of
20 any products, except that the licensee may charge a fee for bona fide
21 educational classes conducted in a classroom by an instructor on the
22 licensed premises where the sampling of any spirituous liquor product ~~is~~
23 OR ADULT HEMP BEVERAGES PRODUCT ARE incidental to the course taught and to
24 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~~
31 cooler-type OR ADULT HEMP BEVERAGES products, one and one-half ounces of
32 wine and one ounce of distilled 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 OR ADULT HEMP
37 BEVERAGES purchased for sampling are conclusively presumed to be purchased
38 under the beer and wine bar license and all spirituous liquor sold
39 off-sale are conclusively presumed to be purchased under the beer and wine
40 store license.

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

license and a bar license on the same premises shall be owned by and issued to the same licensee. If a beer and wine store license and a bar license are issued at the same premises, for purposes of reporting liquor purchases under each license, all off-sale beer, ~~and~~ wine AND ADULT HEMP BEVERAGES sales are conclusively presumed to be purchased under the beer and wine store license.

Sec. 20. Section 4-207.01, Arizona Revised Statutes, is amended to read:

4-207.01. Submission of floor plan required; alteration of licensed premises; ingress and egress to off-sale package sales in on-sale licensed premises

A. No licensee of premises approved for transfer or an original location of on-sale spirituous liquor license shall open such licensed premises to the public for sale of spirituous liquor OR ADULT HEMP BEVERAGES until the licensee shall first have filed with the director floor plans and diagrams completely disclosing and designating the physical arrangement of the licensed premises, including whether the licensee intends to sell spirituous liquor OR ADULT HEMP BEVERAGES by means of a drive-through or other physical feature of the licensed premises that allows a customer to purchase spirituous liquor OR ADULT HEMP BEVERAGES without leaving the customer's vehicle, and shall have secured the written approval of the director to so open and operate such premises. The director may require the installation and maintenance of physical barriers around outside serving areas to control liquor OR ADULT HEMP BEVERAGES service, delineate licensed premises and control the ingress and egress to and from the licensed premises for the purpose of providing for the safety of patrons and preventing underage possession and consumption, the removal of alcohol OR ADULT HEMP BEVERAGES from the premises, the unauthorized bringing of alcohol OR ADULT HEMP BEVERAGES onto the premises and the unauthorized consumption of alcohol OR ADULT HEMP BEVERAGES in a public area or thoroughfare.

B. No licensee shall alter or change the physical arrangement of ~~his~~ THE LICENSEE'S licensed premises so as to encompass greater space or the use of different or additional entrances, openings or accommodations than the space, entrance or entrances, openings or accommodations offered to the public at the time of issuance of the licensee's license or a prior written approval of the licensed premises, without first having filed with the director floor plans and diagrams completely disclosing and designating the proposed physical alterations of the licensed premises, including the addition of a drive-through or other physical feature to the licensed premises that allows a customer to purchase spirituous liquor OR ADULT HEMP BEVERAGES without leaving the customer's vehicle, and shall have secured the written approval by the director. This subsection ~~shall~~ ~~apply~~ APPLIES to any ~~person-to-person~~ PERSON-TO-PERSON transfer of the

1 licensed premises. The director may charge a fee for review of floor
2 plans and diagrams submitted by a licensee pursuant to this section.

3 C. ~~The provisions of~~ This section ~~shall not be construed to~~ DOES
4 NOT prohibit in any way off-sale package sales in on-sale licensed
5 premises, but the permission to open the premises to the public under
6 subsections A and B shall not be granted if the licensee under the
7 privilege provided for off-sale under an on-sale license proposes to
8 maintain an off-sale operation with ingress and egress directly from the
9 outside of such premises to such off-sale operation other than the ingress
10 and egress provided for the on-sale operation of the licensed premises.

11 D. ~~The provisions of~~ This section ~~shall apply~~ APPLIES to all
12 applications, transfers and alterations.

13 Sec. 21. Section 4-207.02, Arizona Revised Statutes, is amended to
14 read:

15 4-207.02. Multiple licensees with joint premises

16 A. One or more on-sale spirituous liquor licensees with the same
17 type of bar, beer and wine bar, restaurant or remote tasting room license
18 may apply to the director for a joint premises permit. The premises of
19 each applicant shall be adjacent to and fully contiguous to the joint
20 premises. The proposed joint premises shall be limited to common areas
21 that are pedestrian only and that are not immediately adjacent to a road,
22 driveway or parking area. Application for a joint premises permit shall
23 be on a form prescribed by the director. The application shall contain
24 plans and diagrams that completely disclose and designate the physical
25 arrangement of the proposed joint premises. The applicant licensee shall
26 submit a copy of the application to the local governing body before
27 submitting the application to the director. The local governing body may
28 review the application and provide an advisory recommendation to the
29 director. The applicants shall submit a security plan that addresses the
30 requirements prescribed in this section. The director may approve or deny
31 the application, or approve the application for some but not all of the
32 applicants based on the applicant's demonstration of ability to comply
33 with the requirements prescribed in this section. If the application is
34 approved, the joint premises area shall be considered an extension of
35 premises for each of the approved applicants, subject to the following
36 conditions:

37 1. The licensees implement security measures necessary to ensure
38 that an individual under the legal drinking age does not purchase, possess
39 or consume spirituous liquor OR ADULT HEMP BEVERAGES on the licensed
40 premises.

41 2. The licensees install and maintain temporary or permanent
42 physical barriers around the joint premises or other security measures,
43 including electronic surveillance and the use of security personnel and
44 signage, that are fully in place while spirituous liquor ~~is~~ OR ADULT HEMP

1 BEVERAGES ARE served and consumed. The barriers or other security
2 measures shall be placed to achieve the following purposes:

3 (a) To control spirituous liquor OR ADULT HEMP BEVERAGES service.

4 (b) To delineate the licensed premises.

5 (c) To control the ingress to and egress from the licensed
6 premises.

7 (d) To provide for the safety of patrons.

8 (e) To prevent underage possession and consumption of spirituous
9 liquor OR ADULT HEMP BEVERAGES.

10 (f) To prevent the removal of spirituous liquor OR ADULT HEMP
11 BEVERAGES from the premises.

12 (g) To prevent the unauthorized carrying of spirituous liquor OR
13 ADULT HEMP BEVERAGES onto the premises.

14 (h) To prevent the unauthorized consumption of spirituous liquor OR
15 ADULT HEMP BEVERAGES in a public area or thoroughfare.

16 3. The director may require that, during the time the premises are
17 being used as joint premises under a permit, the participating licensees
18 identify the spirituous liquor beverages OR ADULT HEMP BEVERAGES sold by
19 each licensee by using distinguishable containers.

20 B. The licensees shall file with the director and may modify from
21 time to time a schedule showing the days and time periods when the joint
22 premises will be in use.

23 C. Each licensee that is approved for the joint premises shall
24 comply fully with all applicable requirements of this title and any rules
25 adopted pursuant to this title.

26 D. Each joint licensee that shares the joint premises as provided
27 in this section may be held liable for any violation of this title. One
28 or more licensees may be cited for a violation of this title that occurs
29 on the premises, if the circumstances warrant the citation.

30 E. A licensee with joint premises privileges may not allow a person
31 under the legal drinking age who is not accompanied by a spouse, parent,
32 grandparent or legal guardian of legal drinking age to remain in an area
33 on the joint premises during hours in which the primary use is the sale,
34 dispensing or consumption of spirituous liquor OR ADULT HEMP BEVERAGES
35 after the licensee, or the licensee's employees, know or should have known
36 that the person is under the legal drinking age.

37 F. The department may consolidate complaints, proceedings and
38 hearings with respect to complaints or matters against one or more
39 licensees with joint premises permits.

40 G. The right of a licensee to use the joint premises may be limited
41 or revoked by the director for a violation of this title or any rule
42 adopted pursuant to this title.

43 H. The department may charge a fee in an amount prescribed by the
44 director for the review and processing of an application submitted
45 pursuant to this section.

1 I. Notwithstanding any other law, a joint premises permit may be
2 suspended summarily and without appeal for up to ten days if the director
3 determines that good cause exists for the suspension.

4 J. A permit issued pursuant to this section is not transferable.

5 K. A permit issued pursuant to this section shall be issued for one
6 year and may be annually renewed.

7 Sec. 22. Section 4-207.03, Arizona Revised Statutes, is amended to
8 read:

9 4-207.03. Extended premises; application; requirements; fee

10 A. A liquor licensee with on-sale retail privileges may apply to
11 the director to extend the licensed premises on an individual day or hour
12 basis, on a regular recurring basis or on an ongoing limited use basis to
13 contiguous private property that is owned or leased by the applicant
14 licensee or to public or private property that the applicant licensee has
15 permission to use. The director may include noncontiguous private
16 property on the extended premises if the property meets the requirements
17 of the department rules applicable to regularly licensed premises. The
18 applicant licensee shall submit a copy of the application, including the
19 proposed days and times that the extended premises will be used, to the
20 local governing body at least sixty days before submitting the application
21 to the director. The local governing body or the local governing body's
22 designee may review the application and provide an advisory recommendation
23 to the director. If the local governing body or the local governing
24 body's designee completes the review and provides an advisory
25 recommendation to the director before the conclusion of the sixty-day
26 period, the director may act on the application before the expiration of
27 the sixty-day period. The local governing body may conduct an optional
28 safety inspection of the extended premises on the day of the event, before
29 the event if the extended premises are ready for use before the event or
30 before the local governing body or designee has made its recommendations,
31 whichever is ~~soonest~~ EARLIEST.

32 B. The application shall contain a plan and an accurate diagram
33 that designates the proposed physical arrangement of the proposed extended
34 premises, including the location of ingress and egress from the extended
35 premises and other features of the extended premises as required by the
36 director or as required to conform with applicable building code and fire
37 safety requirements.

38 C. The applicant licensee shall submit with the application a
39 security plan. The applicant licensee shall identify the security
40 measures that will be implemented by the applicant licensee for the
41 extended premises. The director shall determine the appropriate security
42 measures that the applicant licensee shall use to control spirituous
43 liquor AND ADULT HEMP BEVERAGES service on the extended premises and to
44 protect public health and safety. The security plan shall:

45 1. Provide for the safety of patrons.

2. Ensure that an individual who is under the legal drinking age does not purchase, possess or consume spirituous liquor OR ADULT HEMP BEVERAGES on the extended premises.

3. Prevent the unauthorized removal of spirituous liquor OR ADULT HEMP BEVERAGES from the extended premises.

4. Prevent the unauthorized carrying of spirituous liquor OR ADULT HEMP BEVERAGES onto the extended premises.

5. Be designed in a manner to ensure that security and oversight of the extended premises ~~is~~ ARE provided by the applicant licensee.

D. The applicant licensee shall file with the application and may modify from time to time a schedule showing the proposed date and time periods when the extended premises will be in use. The applicant licensee shall provide at least ten days' written notice of any modification to the department and to the local governing body.

E. The licensee may not modify the physical arrangement of the extended premises to use additional space or a different space and may not modify the location of ingress or egress or the security to be provided without notifying the local governing body and the department at least ten days in advance of the proposed modification. The department may consult with the local governing body and may approve, reject or modify the proposed modification. Further compliance with subsection A of this section is not required if the only proposed modification is to reduce the size of the extended premises.

F. The right of a licensee to use an extended premises may be limited or revoked by the director for a violation of this title or any rule adopted pursuant to this title.

G. The department may charge a fee in an amount prescribed by the director for the review and processing of applications.

H. A licensee with extended premises may not allow an individual who is under the legal drinking age and who is not accompanied by a spouse, parent, grandparent or legal guardian of legal drinking age to remain in an area on the extended premises during hours in which the primary use of the premises is the sale, dispensing or consumption of spirituous liquor OR ADULT HEMP BEVERAGES after the licensee or licensee's employees know or should have known that the individual is under the legal drinking age.

I. A permit for an extended premises is valid for six consecutive months or less, which is calculated from the first date of the extended premises to the last date of the extended premises.

J. Subject to section 4-224, this section does not exempt the applicant licensee from complying with any local governing body event permit requirements.

K. This section does not apply to a permanent change in the premises and does not prevent the department, together with a city, town

1 or county, from waiving the requirements of this section for an
2 application or event.

3 Sec. 23. Section 4-208, Arizona Revised Statutes, is amended to
4 read:

5 4-208. Rejection as to location

6 A. The director shall not accept an application nor issue a license
7 to sell or deal in spirituous liquors at a location for which a prior
8 application has been rejected until twelve months after the date of the
9 prior rejection.

10 B. No application for a license to deal in spirituous liquors ~~OR~~
11 ~~ADULT HEMP BEVERAGES~~ shall be filed with nor accepted by the director
12 within five years after the date of the rejection of the last of two
13 previous applications at the same location has been rejected by the board
14 or the director on the basis of lack of public convenience and necessity
15 or denied on appeal pursuant to section 4-211. It shall be incumbent ~~upon~~
16 ~~ON~~ the applicant for a license filed after the expiration of the five-year
17 period to establish that there have been significant changes of fact in
18 respect to the location ~~which~~ ~~THAT~~ justify the issuance of a license to
19 deal in spirituous liquor ~~OR ADULT HEMP BEVERAGES~~.

20 Sec. 24. Section 4-209, Arizona Revised Statutes, is amended to
21 read:

22 4-209. Fees for license, application, issuance, renewal and
23 transfer; late renewal penalty; seasonal operation;
24 surcharges

25 A. A fee shall accompany an application for an original license or
26 transfer of a license, or in case of renewal, shall be paid in advance.
27 Every license expires annually, except that a license may be renewed for a
28 two-year period pursuant to subsection M of this section if no compliance
29 penalties have been issued to that location during the year before the
30 renewal. A licensee who fails to renew the license on or before the due
31 date shall pay a penalty of \$150, which the licensee shall pay with the
32 renewal fee. A license renewal that is deposited, properly addressed and
33 postage prepaid in an official depository of the United States mail on or
34 before the due date shall be deemed filed and received by the department
35 on the date shown by the postmark or other official mark of the United
36 States postal service stamped on the envelope. If the due date falls on a
37 Saturday, Sunday or other legal holiday, the renewal shall be considered
38 timely if it is received by the department on the next business day. The
39 director may waive a late renewal penalty if good cause is shown by the
40 licensee. A licensee who fails to renew the license on or before the due
41 date may not sell, purchase or otherwise deal in spirituous liquor until
42 the license is renewed. A license that is not renewed within sixty days
43 after the due date is deemed terminated. The director may renew the
44 terminated license if good cause is shown by the licensee. Except an
45 application fee for a permit pursuant to section 4-203.07 and section

1 4-205.02, subsection K and leases pursuant to sections 4-203.06 and
2 4-203.07, an application fee for an original license or the transfer of a
3 license shall be \$100, which shall be retained by this state.

4 B. Issuance fees for original licenses shall be:

5 1. For an in-state producer's license to ~~manufacture or~~ produce
6 spirituous liquors OR MANUFACTURE ADULT HEMP BEVERAGES in this state,
7 \$1,500.

8 2. Except as provided in paragraph 15 of this subsection, for an
9 out-of-state producer's, exporter's, importer's or rectifier's license,
10 \$200.

11 3. For a microbrewery license, \$300.

12 4. For a wholesaler's license to sell spirituous liquors OR ADULT
13 HEMP BEVERAGES, \$1,500.

14 5. For a government license issued in the name of a state agency,
15 state commission, state board, county, city, town, community college or
16 state university or the national guard, \$100.

17 6. For a bar license, which is an on-sale retailer's license to
18 sell all spirituous liquors OR ADULT HEMP BEVERAGES primarily by
19 individual portions and in the original containers, \$1,500.

20 7. For a beer and wine bar license, which is an on-sale retailer's
21 license to sell beer, ~~and~~ wine AND ADULT HEMP BEVERAGES primarily by
22 individual portions and in the original containers, \$1,500.

23 8. For a conveyance license issued to an operating railroad
24 company, to sell all spirituous liquors in individual portions or in the
25 original containers on all passenger trains operated by the railroad
26 company, or to an operating airline company, to sell or serve spirituous
27 liquors solely in individual portions on all passenger planes operated by
28 the airline company, or to a boat operating in the waters of this state,
29 to sell all spirituous liquors in individual portions or in the original
30 containers for consumption on the boat, \$1,500.

31 9. For a liquor store license, which is an off-sale retailer's
32 license to sell all spirituous liquors OR ADULT HEMP BEVERAGES, \$1,500.

33 10. For a beer and wine store license, which is an off-sale
34 retailer's license to sell beer, ~~and~~ wine OR ADULT HEMP BEVERAGES, \$1,500.

35 11. For a hotel-motel license issued as such, to sell and serve
36 spirituous liquors OR ADULT HEMP BEVERAGES solely for consumption on the
37 licensed premises of the hotel or motel, \$1,500.

38 12. For a restaurant license issued as such, to sell and serve
39 spirituous liquors OR ADULT HEMP BEVERAGES solely for consumption on the
40 licensed premises of the restaurant, \$1,500. For a permit issued under
41 section 4-205.02, subsection H allowing for the sale of beer for the
42 consumption off the licensed premises pursuant to section 4-244, paragraph
43 32, subdivision (c), the director may charge a fee. For an application
44 for a permit pursuant to section 4-203.07 and section 4-205.02, subsection

1 K, the director may charge a fee. The director may establish and charge
2 fees for lease applications pursuant to sections 4-203.06 and 4-203.07.

3 13. For a farm winery license, \$100. The director may charge a
4 licensed farm winery a fee pursuant to section 4-205.04, subsection K.

5 14. For a club license issued in the name of a bona fide club
6 qualified under this title to sell all spirituous liquors OR ADULT HEMP
7 BEVERAGES on-sale, \$1,000.

8 15. For an out-of-state winery that sells not more than two hundred
9 forty gallons of wine in this state in a calendar year, \$25.

10 16. ~~The department may charge a fee~~ For a craft distiller license,
11 A FEE ESTABLISHED BY THE DEPARTMENT.

12 17. ~~The department may charge a fee~~ For registering an alcohol AND
13 ADULT HEMP BEVERAGES delivery contractor pursuant to section 4-205.13, A
14 FEE ESTABLISHED BY THE DEPARTMENT.

15 18. FOR AN ADULT HEMP BEVERAGES MANUFACTURER'S LICENSE ISSUED TO AN
16 IN-STATE OR OUT-OF-STATE MANUFACTURER, A FEE ESTABLISHED BY THE
17 DEPARTMENT.

18 19. FOR A PERMIT ISSUED TO AN INDEPENDENT TESTING LABORATORY
19 PURSUANT TO SECTION 4-225, A FEE ESTABLISHED BY THE DEPARTMENT.

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

26 D. The annual fees for licenses shall be:

27 1. For an in-state producer's license to ~~manufacture or~~ produce
28 spirituous liquors OR MANUFACTURE ADULT HEMP BEVERAGES in this state,
29 \$350.

30 2. Except as provided in paragraph 15 of this subsection, for an
31 out-of-state producer's, exporter's, importer's or rectifier's license,
32 \$50.

33 3. For a microbrewery license, \$300.

34 4. For a wholesaler's license, to sell spirituous liquors OR ADULT
35 HEMP BEVERAGES, \$250.

36 5. For a government license issued to a county, city or town,
37 community college or state university or the national guard, \$100.

38 6. For a bar license, which is an on-sale retailer's license to
39 sell all spirituous liquors OR ADULT HEMP BEVERAGES primarily by
40 individual portions and in the original containers, \$150.

41 7. For a beer and wine bar license, which is an on-sale retailer's
42 license to sell beer, ~~and~~ wine OR ADULT HEMP BEVERAGES primarily by
43 individual portions and in the original containers, \$75.

1 8. For a conveyance license issued to an operating railroad
2 company, to sell all spirituous liquors in individual portions or in the
3 original containers on all passenger trains operated by the railroad
4 company, or to an operating airline company, to sell or serve spirituous
5 liquors solely in individual portions on all passenger planes operated by
6 the airline company, or to a boat operating in the waters of this state,
7 to sell all spirituous liquor in individual portions or in the original
8 containers for consumption on the boat, \$225.

9 9. For a liquor store license, which is an off-sale retailer's
10 license to sell all spirituous liquors OR ADULT HEMP BEVERAGES, \$50.

11 10. For a beer and wine store license, which is an off-sale
12 retailer's license to sell beer, ~~and~~ wine OR ADULT HEMP BEVERAGES, \$50.

13 11. For a hotel-motel license issued as such, to sell and serve
14 spirituous liquors OR ADULT HEMP BEVERAGES solely for consumption on the
15 licensed premises of the hotel or motel, \$500.

16 12. For a restaurant license issued as such, to sell and serve
17 spirituous liquors OR ADULT HEMP BEVERAGES solely for consumption on the
18 licensed premises of the restaurant, \$500, and for a restaurant license
19 that is allowed to continue operating as a restaurant pursuant to section
20 4-213, subsection E, an additional amount established by the director.
21 The department shall transfer this amount to the state treasurer for
22 deposit in the state general fund. The director may establish an annual
23 fee for a permit pursuant to section 4-203.07 and section 4-205.02,
24 subsection K. The director may charge annual lease amounts pursuant to
25 sections 4-203.06 and 4-203.07.

26 13. For a farm winery license, \$100. The director may charge a
27 licensed farm winery an annual fee pursuant to section 4-205.04,
28 subsection K.

29 14. For a club license issued in the name of a bona fide club
30 qualified under this title to sell all spirituous liquors OR ADULT HEMP
31 BEVERAGES on-sale, \$150.

32 15. For an out-of-state winery that sells not more than two hundred
33 forty gallons of wine in this state in a calendar year, \$25.

34 16. ~~The director may charge a fee~~ For the annual renewal of a craft
35 distiller license, A FEE ESTABLISHED BY THE DEPARTMENT.

36 17. ~~The department may charge a fee~~ For the annual registration
37 renewal of a registered alcohol AND ADULT HEMP BEVERAGES delivery
38 contractor pursuant to section 4-205.13, A FEE ESTABLISHED BY THE
39 DEPARTMENT.

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

1 F. Transfer fees from person to person for licenses transferred
2 pursuant to section 4-203, subsection C shall be \$300.

3 G. Transfer fees from location to location, as provided for in
4 section 4-203, shall be \$100.

5 H. Assignment fees for a change of agent, as provided for in
6 section 4-202, subsection A, an acquisition of control, as provided for in
7 section 4-203, subsection F, or a restructuring, as provided for in
8 section 4-203, subsection H, shall be \$100, except that where a licensee
9 holds multiple licenses and requests multiple, simultaneous changes, the
10 change of agent, acquisition of control or restructuring fee for the first
11 license shall be \$100 and the fee for all remaining licenses shall be \$50
12 each, except that the aggregate fees shall not exceed \$1,000 for all
13 change of agents, \$1,000 for all acquisitions of control and \$1,000 for
14 all restructurings.

15 I. No fee shall be charged by the department for an assignment of a
16 liquor license in probate or an assignment pursuant to the provisions of a
17 will or pursuant to a judicial decree in a domestic relations proceeding
18 that assigns ownership of a business that includes a spirituous liquor
19 license to one of the parties in the proceeding. In the case of
20 nontransferable licenses, no fee shall be charged by the department for
21 the issuance of a license for a licensed business pursuant to a transfer
22 of the business in probate or pursuant to the provisions of a will or
23 pursuant to a judicial decree in a domestic relations proceeding that
24 assigns ownership of the business to one of the parties in the proceeding.

25 J. The director shall assess a surcharge of \$30 on all licenses
26 prescribed in subsection D, paragraphs 6, 7 and 12 of this section.
27 Monies from the surcharge shall be used by the department exclusively for
28 the costs of an auditor and support staff to review compliance by
29 applicants and licensees with the requirements of section 4-205.02,
30 subsection E. The department shall assess the surcharge as part of the
31 annual license renewal fee.

32 K. The director shall assess a surcharge of \$35 on all licenses
33 prescribed in this section. Monies from the surcharge shall be used by
34 the department exclusively for the costs of an enforcement program to
35 investigate licensees who have been the subject of multiple complaints to
36 the department. The enforcement program shall respond to complaints
37 against licensees by neighborhood associations, by neighborhood civic
38 groups and from municipal and county governments. The department shall
39 assess the surcharge as part of the annual license renewal fee.

40 L. The director shall assess a surcharge of \$20 on all licenses
41 prescribed in subsection D, paragraphs 11 and 12 of this section and \$35
42 on all other licenses prescribed in this section. Monies from the
43 surcharge and from surcharges imposed pursuant to subsection K of this
44 section shall be used by the department exclusively for the costs of a
45 neighborhood association interaction and liquor enforcement management

1 unit. The unit shall respond to complaints from neighborhood
2 associations, neighborhood civic groups and local governing authorities
3 regarding liquor violations. The director shall report the unit's
4 activities and the use of monies from the surcharge or surcharges imposed
5 pursuant to subsection K of this section to the board at each board
6 meeting or as the board may direct.

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

12 N. The department shall use all monies received from application
13 fees for permits issued pursuant to section 4-205.02, subsection K, leases
14 pursuant to sections 4-203.06 and 4-203.07 and registrations pursuant to
15 section 4-205.13 for administrative costs associated with the permit,
16 registration or lease and enforcement of this chapter.

17 Sec. 25. Section 4-210, Arizona Revised Statutes, is amended to
18 read:

19 4-210. Grounds for revocation, suspension and refusal to
20 renew; notice; complaints; hearings; defense

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

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

25 2. The licensee, registrant, lessee or permittee fails to
26 satisfactorily maintain the capability, qualifications and reliability
27 requirements of an applicant for a license, registration, lease or permit
28 prescribed in section 4-202, 4-203, 4-203.06, 4-203.07 or 4-205.13.

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

34 4. The licensee, registrant, lessee, permittee or controlling
35 person is on the premises habitually intoxicated.

36 5. The licensed, registered, leased or permitted business is
37 delinquent for more than one hundred twenty days in paying taxes,
38 penalties or interest in an amount that exceeds \$250 to this state or to
39 any political subdivision of this state.

40 6. The licensee or controlling person obtains, assigns, transfers
41 or sells a spirituous liquor license OR ADULT HEMP BEVERAGES MANUFACTURER
42 LICENSE without complying with this title or leases or subleases a
43 license.

44 7. The licensee, registrant, lessee or permittee fails to keep for
45 two years and make available to the department on reasonable request all

1 invoices, records, bills or other papers and documents relating to the
2 purchase, sale and delivery of spirituous liquors OR ADULT HEMP BEVERAGES
3 and, in the case of a restaurant or hotel-motel licensee, all invoices,
4 records, bills or other papers and documents relating to the purchase,
5 sale and delivery of food.

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

13 9. The licensee, registrant, lessee, permittee or controlling
14 person violates or fails to comply with this title, any rule adopted
15 pursuant to this title or any liquor law of this state or any other state.

16 10. The licensee, registrant, lessee or permittee fails to take
17 reasonable steps to protect the safety of a customer of the licensee,
18 registrant, lessee or permittee or any other person entering, leaving or
19 remaining on the licensed premises when the licensee knew or reasonably
20 should have known of the danger to the person, or the licensee fails to
21 take reasonable steps to intervene by notifying law enforcement officials
22 or otherwise to prevent or break up an act of violence occurring on the
23 licensed premises or immediately adjacent to the premises when the
24 licensee knew or reasonably should have known of the acts of violence.
25 The duty to protect a customer or other person on the licensed premises
26 does not limit the licensee from using, as necessary, reasonable
27 intervention, reasonable restraint or reasonable removal of a person from
28 the premises to prevent that person from injuring other persons on the
29 premises or damaging or disrupting the premises.

30 11. The licensee, registrant, lessee, permittee or controlling
31 person knowingly associates with a person who has engaged in racketeering,
32 as defined in section 13-2301, or who has been convicted of a felony, and
33 the association is of a nature as to create a reasonable risk that the
34 licensee, registrant, lessee or permittee will fail to conform to the
35 requirements of this title or of any criminal statute of this state.

36 12. A licensee that is a liquor store as defined in section 46-297
37 violates the restrictions on use of automatic teller machines or
38 point-of-sale terminals regarding electronic benefit transfer cards
39 prescribed in section 4-242.01.

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

1 14. The licensee fails to report a serious act of violence that
2 occurs on the licensed premises. For the purposes of this paragraph,
3 "serious act of violence" means an act of violence in which a serious
4 injury causes the death or critical injury of a person and the injuries
5 would be obvious to a reasonable person.

6 15. The licensee, registrant, lessee or permittee violates an order
7 of the board.

8 B. For the purposes of:

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

13 2. Subsection A, paragraphs 9 and 10 of this section, acts or
14 omissions of an employee of a licensee that violate this title or rules
15 adopted pursuant to this title are deemed to be acts or omissions of the
16 licensee. Acts or omissions by an employee or licensee committed during
17 the time the licensed premises were operated pursuant to an interim permit
18 or without a license may be charged as if they had been committed during
19 the period the premises were duly licensed.

20 C. The director may suspend, revoke or refuse to issue, transfer or
21 renew a license, registration, lease or permit under this section based
22 solely on the unrelated conduct or fitness of any officer, director,
23 managing agent or other controlling person if the controlling person
24 retains any interest in or control of the licensee, registrant, lessee or
25 permittee after sixty days following written notice to the licensee,
26 registrant, lessee or permittee. If the controlling person holds stock in
27 a corporate licensee, registrant, lessee or permittee or is a partner in a
28 partnership licensee, registrant, lessee or permittee, the controlling
29 person may only divest himself of the controlling person's interest by
30 transferring the interest to the existing stockholders or partners who
31 must demonstrate to the department that they meet all the requirements for
32 licensure, registration, leasing or permitting. For the purposes of this
33 subsection, the conduct or fitness of a controlling person is unrelated if
34 it would not be attributable to the licensee, registrant, lessee or
35 permittee.

36 D. If the director finds, based on clear and convincing evidence in
37 the record, that a violation involves the use by the licensee, registrant,
38 lessee or permittee of a drive-through or walk-up service window or other
39 physical feature of the licensed premises that allows a customer to
40 purchase spirituous liquor OR ADULT HEMP BEVERAGES without leaving the
41 customer's vehicle or, with respect to a walk-up service window that
42 prevents the licensee, registrant, lessee or permittee from fully
43 observing the customer, and that the use of that drive-through or walk-up
44 service window or other physical feature caused the violation, the
45 director may suspend or terminate the licensee's, registrant's, lessee's

1 or permittee's use of the drive-through or walk-up service window or other
2 physical feature for the sale of spirituous liquor OR ADULT HEMP
3 BEVERAGES, in addition to any other sanction.

4 E. The director may refuse to transfer any license, registration,
5 lease or permit or issue a new license, registration, lease or permit at
6 the same location if the director has filed a complaint against the
7 license, registration, lease, permit or location that has not been
8 resolved alleging a violation of any of the grounds stated in subsection A
9 of this section until the time the complaint has been finally adjudicated.

10 F. The director shall receive all complaints of alleged violations
11 of this chapter and is responsible for investigating all allegations of a
12 violation of, or noncompliance with, this title, any rule adopted pursuant
13 to this title or any condition imposed on the licensee, registrant, lessee
14 or permittee by the license, registration, lease or permit. When the
15 director receives three complaints from any law enforcement agency
16 resulting from three separate incidents at a licensed, leased or permitted
17 establishment or by a registrant within a twelve-month period, the
18 director shall transmit a written report to the board setting forth the
19 complaints, the results of any investigation conducted by the law
20 enforcement agency or the department relating to the complaints and a
21 history of all prior complaints against the license, registration, lease
22 or permit and their disposition. The board shall review the report and
23 may direct the director to conduct further investigation of a complaint or
24 to serve a licensee, registrant, lessee or permittee with a complaint and
25 notice of a hearing pursuant to subsection G of this section.

26 G. On the director's initiation of an investigation or on the
27 receipt of a complaint and an investigation of the complaint as deemed
28 necessary, the director may cause a complaint and notice of a hearing to
29 be directed to the licensee, registrant, lessee or permittee that states
30 the violations alleged against the licensee, registrant, lessee or
31 permittee and directing the licensee, registrant, lessee or permittee,
32 within fifteen days after service of the complaint and notice of a
33 hearing, to appear by filing with the director an answer to the complaint.
34 Failure of the licensee, registrant, lessee or permittee to answer may be
35 deemed an admission by the licensee, registrant, lessee or permittee of
36 commission of the act charged in the complaint. The director may then
37 vacate the hearing and impose any sanction provided by this article. The
38 director may waive any sanction for good cause shown, including excusable
39 neglect. With respect to any violation of this title or any rule adopted
40 pursuant to this title that is based on the act or omission of a
41 licensee's, registrant's, lessee's or permittee's employee, the director
42 shall consider evidence of mitigation presented by the licensee,
43 registrant, lessee or permittee and established by a preponderance of the
44 evidence that the employee acted intentionally and in violation of the
45 express direction or policy adopted by the licensee, registrant, lessee or

1 permittee and communicated to the employee and that the employee
2 successfully completed training in a course approved by the director
3 pursuant to section 4-112, subsection G, paragraph 2. The director may
4 set the hearing before the director or an administrative law judge on any
5 of the grounds stated in subsection A of this section. Instead of issuing
6 a complaint, the director may provide for informal disposition of the
7 matter by consent agreement or may issue a written warning to the
8 licensee, registrant, lessee or permittee. If a warning is issued, the
9 licensee, registrant, lessee or permittee may reply in writing and the
10 director shall keep a record of the warning and the reply.

11 H. A hearing shall conform to the requirements of title 41,
12 chapter 6, article 10. At the hearing an attorney or corporate officer or
13 employee of a corporation may represent the corporation. The revoking,
14 suspending or refusing to renew a license, registration, lease or permit
15 for unpaid taxes, penalties or interest pursuant to subsection A,
16 paragraph 5 of this section is a contested case with the department of
17 revenue pursuant to section 42-1251.01.

18 I. The expiration, cancellation, revocation, reversion, surrender,
19 acceptance of surrender or termination in any other manner of a license,
20 registration, lease or permit does not prevent the initiation or
21 completion of a disciplinary proceeding pursuant to this section against
22 the licensee, registrant, lessee or permittee or license, registration,
23 lease or permit. An order issued pursuant to a disciplinary proceeding
24 against a license, registration, lease or permit is enforceable against
25 other licenses, registrations, leases or permits or subsequent licenses,
26 registrations, leases or permits in which the licensee, registrant,
27 lessee, permittee or controlling person of the license, registration,
28 lease or permit has a controlling interest.

29 J. The department shall provide the same notice as is provided to
30 the licensee, registrant, lessee or permittee to a lienholder, which has
31 provided a document under section 4-112, subsection B, paragraph 3, of all
32 disciplinary or compliance action with respect to a license, registration,
33 lease or permit issued pursuant to this title. The state is not liable
34 for damages for any failure to provide any notice pursuant to this
35 subsection.

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

40 1. That the lienholder's interest is a bona fide security interest.
41 For the purposes of this paragraph, "bona fide security interest" means
42 the lienholder provides actual consideration to the licensee, registrant,
43 lessee or permittee or the licensee's, registrant's, lessee's or
44 permittee's predecessor in interest in exchange for the lienholder's
45 interest. Bona fide security interest includes a lien taken by the seller

1 of a license, registration, lease or permit as security for the seller's
2 receipt of all or part of the purchase price of the license, registration,
3 lease or permit.

4 2. That a statement of legal or equitable interest was filed with
5 the department before the alleged conduct occurred that is the basis for
6 the action against the license, registration, lease or permit.

7 3. That the lienholder took reasonable steps to correct the
8 licensee's, registrant's, lessee's or permittee's prior actions, if any,
9 or initiated an action pursuant to available contract rights against the
10 licensee, registrant, lessee or permittee for the forfeiture of the
11 license, registration, lease or permit after being provided with notice by
12 the department of disciplinary action as provided in subsection J of this
13 section.

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

16 5. That the lienholder reasonably attempted to remain informed by
17 the licensee, registrant, lessee or permittee about the business's
18 conduct.

19 L. If the director decides not to revoke the license, registration,
20 lease or permit based on the circumstances provided in subsection K of
21 this section, the director may issue an order requiring either, or both,
22 of the following:

23 1. The forfeiture of all interest of the licensee, registrant,
24 lessee or permittee in the license, registration, lease or permit.

25 2. The lienholder to pay any civil monetary penalty imposed on the
26 licensee, registrant, lessee or permittee.

27 M. If any on-sale licensee proposes to provide large capacity
28 entertainment events or sporting events with an attendance capacity
29 exceeding a limit established by the director, the director may request a
30 security plan from the licensee that may include trained security
31 officers, lighting and other requirements. This subsection exclusively
32 prescribes the security requirements for a licensee and does not create
33 any civil liability for this state, its agencies, agents or employees or a
34 person licensed under this title or agents or employees of a licensee.

35 N. The director may consider as a mitigating factor or defense to a
36 complaint against a licensee for a violation of subsection A, paragraph 10
37 or 13 of this section that the licensee acted reasonably, responsibly and
38 as expeditiously as possible by asking for intervention by a peace officer
39 to prevent or to break up a riot, a fight, an altercation or tumultuous
40 conduct.

41 Sec. 26. Section 4-212, Arizona Revised Statutes, is amended to
42 read:

43 4-212. Injunctions

44 If the board or the director has reasonable grounds to believe that
45 a person is violating section 4-244.05 or 4-250.01 or is manufacturing,

1 PRODUCING, selling or dealing in spirituous liquor OR ADULT HEMP
2 BEVERAGES without a valid license, permit or registration in violation of
3 this title, the board or the director may apply to the superior court for
4 a temporary restraining order and other injunctive relief prohibiting the
5 specific acts complained of by the board or the director.

6 Sec. 27. Section 4-213, Arizona Revised Statutes, is amended to
7 read:

8 4-213. Restaurant audit

9 A. The director may require a restaurant to submit an audit of its
10 records to demonstrate compliance with section 4-205.02. The director
11 shall not require an establishment to submit to such an audit more than
12 once a year after the initial twelve months of operation and shall not
13 audit the first three months of operation even if the establishment is
14 allowed to continue operating as a restaurant pursuant to subsection E of
15 this section.

16 B. Except as provided in subsection D of this section, the
17 department shall audit accounts, records and operations of a licensee that
18 cover a ~~twelve-month~~ TWELVE-MONTH period. When conducting an audit, the
19 department shall use generally accepted auditing standards. An
20 establishment that averages at least forty percent of its gross revenue
21 from the sale of food during the ~~twelve-month~~ TWELVE-MONTH audit period
22 shall be deemed to comply with the gross revenue requirements of section
23 4-205.02. The ~~twelve-month~~ TWELVE-MONTH audit period shall fall within
24 the sixteen months immediately preceding the beginning of the audit.

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

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

33 2. At least thirty percent but less than thirty-seven percent, the
34 department shall allow the licensee a six-month period to continue to
35 operate under the restaurant license, during which the licensee shall
36 either:

37 (a) Replace the license with a bar or beer and wine bar license,
38 except that, at the end of that six-month period, the department shall
39 revoke the restaurant license or the licensee shall surrender the
40 restaurant license.

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

1 3. At least thirty-seven percent but less than forty percent, the
2 licensee shall be granted a period of one year to continue to operate
3 under the restaurant license, during which the licensee shall attempt to
4 increase the food percentage to at least forty percent. If the licensee
5 does not increase the percentage of food sales to at least forty percent,
6 the department shall allow the licensee a six-month period to continue to
7 operate under the restaurant license, during which the licensee shall
8 either:

9 (a) Replace the license with a bar or beer and wine bar license,
10 except that, at the end of the six-month period, the department shall
11 revoke the restaurant license or the licensee shall surrender the
12 restaurant license.

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

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

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

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

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

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

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

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

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

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

19 1. The department shall advise the governing body of the city or
20 town if the premises are within the incorporated limits of a city or town
21 or the county of the department's intent.

22 2. The city or town or the county shall post a notice for at least
23 twenty days on the licensed premises that the licensee has made a request
24 for continuation to operate with a restaurant license and invite bona fide
25 residents who own, lease or reside on property within a ~~one mile~~ ONE-MILE
26 radius of the licensed premises to file written comments with the
27 department regarding the request within thirty days after the first
28 posting of the notice.

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

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

43 I. A restaurant licensee may continue to operate with its
44 restaurant license pursuant to subsection E of this section if the
45 restaurant and the restaurant licensee continue to meet the requirements

1 of this subsection, subsection E of this section and any other statute.
2 As a condition of continuing operation as a restaurant under subsection E
3 of this section, the department may require the licensee to specifically
4 acknowledge the representations made by the licensee regarding its
5 operations in support of the licensee's continuing operation as a
6 restaurant. Notwithstanding subsection A of this section, if the licensee
7 changes its operation in any way that materially and detrimentally affects
8 the representations made by the licensee, the department may audit the
9 licensee or terminate the license without an audit.

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

15 Sec. 28. Section 4-214, Arizona Revised Statutes, is amended to
16 read:

17 4-214. Arizona wines; labeling

18 A. ~~A person licensed as~~ A farm winery LICENSED pursuant to section
19 4-205.04 or ~~licensed as~~ a producer LICENSED pursuant to section 4-203 may
20 label a wine offered for sale that states that the wine is any of the
21 following:

22 1. An Arizona wine or a wine from a particular county in this
23 state, if at least seventy-five percent of the wine by volume is produced
24 ~~or manufactured~~ from grapes or other fruit grown in this state and is
25 fermented, processed, bottled and labeled in this state.

26 2. A wine from a particular federally recognized viticultural area,
27 if at least eighty-five percent of the wine by volume is produced ~~or~~
28 ~~manufactured~~ from grapes or other fruit grown in this state and is
29 fermented, processed, bottled and labeled in this state.

30 3. A wine from a particular vineyard, orchard, farm or ranch, if at
31 least ninety-five percent of the wine by volume is produced ~~or~~
32 ~~manufactured~~ from grapes or other fruit grown in this state and is
33 fermented, processed, bottled and labeled in this state.

34 4. Estate bottled, if one hundred percent of the wine by volume is
35 produced ~~or manufactured~~ from a winery in a particular federally
36 recognized viticultural area in which all grapes or other fruit were
37 grown, crushed, fermented, processed, aged and bottled in a continuous
38 process, the wine at no time having left the premises of the bottling
39 winery.

40 B. A licensee that complies with subsection A of this section is
41 not subject to criminal, civil or administrative action for a violation of
42 section 4-244, paragraph 39.

1 Sec. 29. Section 4-215, Arizona Revised Statutes, is amended to
2 read:

3 4-215. Regional shopping centers; commercial offices and
4 retail centers; extension of premises; application;
5 approval; fee; definition

6 A. The owner or management of a regional shopping center that
7 encompasses at least four hundred thousand square feet of retail space, on
8 behalf of retail licensees located at the shopping center, may apply to
9 the director, on a form prescribed by the director, for an extension of
10 premises pursuant to this section.

11 B. Notwithstanding the square footage of a commercial office and
12 retail center, the manager of the commercial office and retail center,
13 jointly with one or more licensees at the commercial office and retail
14 center, may apply, on a form prescribed by the director, for an extension
15 of premises pursuant to this section if all of the following apply:

16 1. The **COMMERCIAL OFFICE AND RETAIL** center is under one management
17 company.

18 2. The proposed extended premises are at a central location within
19 the commercial office and retail center with limited ingress and egress.

20 3. The proposed extended premises are designed in a manner that the
21 management can provide security and oversight of the extended premises.

22 C. The premises extension, if issued, shall allow designated
23 on-sale retail licensees to sell spirituous liquor **OR ADULT HEMP BEVERAGES**
24 and to allow patrons to consume spirituous liquor **OR ADULT HEMP BEVERAGES**
25 throughout a designated pedestrian area of the regional shopping center or
26 commercial office and retail center.

27 D. At least sixty days before submitting the application to the
28 director, the regional shopping center or commercial office and retail
29 center shall submit a copy of the application to the local governing body
30 for review. The local governing body has sixty days after the regional
31 shopping center or commercial office and retail center submits the
32 application to the local governing body to review the application and
33 provide advisory recommendations to the director. The director may not
34 accept an application before the local governing body review period has
35 elapsed or the local governing body makes its advisory recommendations,
36 whichever is sooner.

37 E. The application shall include the requirement that the regional
38 shopping center or commercial office and retail center provide plans or
39 diagrams designating the specific extension of premises requested within
40 the regional shopping center or commercial office and retail center. The
41 plan shall delineate the physical arrangement of the extended premises,
42 including showing the locations of ingress to and egress from the extended
43 premises and other features of the extended premises as the director may
44 require.

1 F. The extended premises authorized by the department may include
2 only areas limited to pedestrian traffic and may not include or be
3 bisected by a public or private roadway unless the private roadway is
4 blocked to vehicular traffic or is immediately adjacent to a public or
5 private roadway. To delineate the extended premises and to control
6 spirituous liquor OR ADULT HEMP BEVERAGES service in the extended
7 premises, the plan may use physical barriers, signage, electronic
8 surveillance, security guards, cordons or a combination of these barriers
9 and strategies.

10 G. The application shall include a provision that the regional
11 shopping center or commercial office and retail center designate the times
12 of spirituous liquor OR ADULT HEMP BEVERAGES service on the extended
13 premises. The regional shopping center or commercial office and retail
14 center may file with the director a request to modify the designated times
15 of spirituous liquor OR ADULT HEMP BEVERAGES service, and the director,
16 for good cause shown, may modify the designated times of spirituous liquor
17 OR ADULT HEMP BEVERAGES service.

18 H. Retail licensees that are subject to an extension of premises
19 are responsible for compliance with this title on the extended premises.

20 I. An extension of premises is subject to the following:

21 1. The department may charge a fee in an amount prescribed by the
22 director for reviewing and processing an application submitted pursuant to
23 this section.

24 2. The director may set day and time limits on using the extended
25 premises and establish security requirements as a condition of approval.

26 3. The extended premises under this section may not overlap the
27 licensed premises of any other licensee under this title that is not
28 subject to the extension of premises.

29 4. The regional shopping center, the manager of the commercial
30 office and retail center and on-sale retail licensees may not alter the
31 physical arrangement of the extended premises to use additional or
32 different space, locations of ingress or egress or accommodations without
33 first complying with the process provided in subsection A or B of this
34 section.

35 5. Notwithstanding any other law, the director may cancel or
36 suspend an on-sale retail licensee's approval to extend its premises under
37 this section for good cause at any time. The regional shopping center,
38 the manager of the commercial office and retail center or the licensee may
39 appeal an order to cancel or suspend the approval in accordance with the
40 administrative appeal provisions provided in this title.

41 6. An extension of premises issued pursuant to this section is not
42 transferable.

43 J. For the purposes of this section, "local governing body" means
44 the county board of supervisors if the regional shopping center or
45 commercial office and retail center is located in an unincorporated area

1 or the governing body of the city or town if the regional shopping center
2 or commercial office and retail center is located in a city or town.

3 Sec. 30. Title 4, chapter 2, article 1, Arizona Revised Statutes,
4 is amended by adding section 4-216, to read:

5 4-216. Adult hemp beverages manufacturer license; issuance;
6 regulations; fees; definition

7 A. AN ADULT HEMP BEVERAGES MANUFACTURER LICENSE SHALL BE REQUIRED
8 FOR MANUFACTURING INDUSTRIAL HEMP INTO ADULT HEMP BEVERAGES PRODUCTS AND
9 OFFERING THOSE PRODUCTS FOR SALE IN THIS STATE.

10 B. THE DIRECTOR MAY ISSUE AN ADULT HEMP BEVERAGES MANUFACTURER
11 LICENSE TO ANY PERSON, INCLUDING A PRODUCER OR CRAFT PRODUCER LICENSED
12 UNDER THIS TITLE, WHO HAS DEMONSTRATED OR DEMONSTRATES THE CAPABILITY TO
13 MEET THE REQUIREMENTS OF THIS SECTION AND SECTIONS 4-202, 4-203 AND 4-225.

14 C. A LICENSED PRODUCER OR CRAFT PRODUCER MAY ELECT TO APPLY FOR AN
15 ADULT HEMP BEVERAGES MANUFACTURER LICENSE UNDER THE PRODUCER'S CURRENT
16 LICENSE OR APPLY FOR A NEW ADULT HEMP BEVERAGES MANUFACTURER LICENSE
17 THROUGH ANOTHER LEGAL ENTITY UNDER COMMON OWNERSHIP. A NEW DEMONSTRATION
18 OF QUALIFICATIONS, CAPABILITY AND RELIABILITY FOR LICENSURE UNDER SECTIONS
19 4-202 AND 4-203 IS NOT REQUIRED FOR A CURRENTLY LICENSED PRODUCER OR CRAFT
20 PRODUCER IF THE RIGHT TO ALSO MANUFACTURE ADULT HEMP BEVERAGES IS APPLIED
21 FOR UNDER A CURRENT LICENSE. EACH LOCATION THAT ENGAGES IN MANUFACTURING
22 ADULT HEMP BEVERAGES PRODUCTS SHALL OBTAIN A SEPARATE ADULT HEMP BEVERAGES
23 MANUFACTURER LICENSE. THE LICENSEE MAY NOT TRANSFER THE LICENSE FROM
24 PERSON TO PERSON OR FROM LOCATION TO LOCATION.

25 D. AT THE TIME OF FILING THE APPLICATION FOR AN ADULT HEMP
26 BEVERAGES MANUFACTURER LICENSE, AN APPLICANT SHALL ACCOMPANY THE
27 APPLICATION WITH THE FEE FOR ADDING TO A CURRENT LICENSE OR OBTAINING A
28 NEW LICENSE. THE DIRECTOR MAY DETERMINE THE AMOUNT OF THE FEE. A PERSON
29 WHO HOLDS AN ADULT HEMP BEVERAGES MANUFACTURER LICENSE SHALL REPORT
30 ANNUALLY AT THE END OF EACH CALENDAR YEAR, AT THE TIME AND IN THE MANNER
31 AS THE DIRECTOR PRESCRIBES, THE AMOUNT OF ADULT HEMP BEVERAGES
32 MANUFACTURED BY THE LICENSEE DURING THE CALENDAR YEAR.

33 E. A LICENSED ADULT HEMP BEVERAGES MANUFACTURER MAY DO ALL OF THE
34 FOLLOWING:

35 1. SELL ADULT HEMP BEVERAGES MANUFACTURED ON THE LICENSEE'S
36 PREMISES TO CONSUMERS OF LEGAL AGE WHO ARE PHYSICALLY PRESENT ON THE
37 MANUFACTURER'S PREMISES FOR CONSUMPTION ON OR OFF THE PREMISES.

38 2. MAKE SALES AND DELIVERIES OF ADULT HEMP BEVERAGES THAT THE
39 LICENSEE MANUFACTURES TO PERSONS LICENSED OR PERMITTED UNDER THIS TITLE TO
40 SELL ADULT HEMP BEVERAGES THROUGH WHOLESALERS LICENSED UNDER THIS TITLE.

41 3. MAKE SALES AND DELIVERIES OF ADULT HEMP BEVERAGES THAT THE
42 LICENSEE MANUFACTURES TO PERSONS LICENSED TO SELL ADULT HEMP BEVERAGES IN
43 ANOTHER STATE IF LAWFUL UNDER THE LAWS OF THAT STATE.

44 4. SERVE ADULT HEMP BEVERAGES MANUFACTURED ON THE LICENSEE'S
45 PREMISES FOR THE PURPOSE OF SAMPLING THE ADULT HEMP BEVERAGES.

1 5. ALLOW A REPRESENTATIVE OF THE LICENSEE TO CONSUME SMALL AMOUNTS
2 OF THE ADULT HEMP BEVERAGES MANUFACTURED ON THE LICENSEE'S PREMISES FOR
3 THE PURPOSE OF SAMPLING THE PRODUCTS.

4 F. EXCEPT AS EXPRESSLY ALLOWED UNDER THIS SECTION OR SECTION
5 4-205.04, 4-205.08, 4-205.09, 4-205.10, 4-205.11, 4-205.12, 4-205.14 OR
6 4-243.02, AN ADULT HEMP BEVERAGES MANUFACTURER LICENSEE IS PROHIBITED FROM
7 HOLDING ANY RETAIL LICENSE UNDER THIS TITLE OR SELLING DIRECTLY TO A
8 RETAILER OR CONSUMER.

9 G. AN ADULT HEMP BEVERAGES MANUFACTURER LICENSE MAY BE STACKED ON
10 THE SAME OR CONTIGUOUS PREMISES WITH A PRODUCER OR CRAFT PRODUCER LICENSE
11 HELD UNDER COMMON OWNERSHIP.

12 H. ON OR BEFORE JULY 1, 2026, THE DIRECTOR SHALL ADOPT RULES
13 PURSUANT TO TITLE 41, CHAPTER 6 TO CARRY OUT THIS SECTION.

14 I. FOR THE PURPOSES OF THIS SECTION, "MANUFACTURE" AND
15 "MANUFACTURING":

16 1. MEANS TO COMPOUND, BLEND, INFUSE OR OTHERWISE MAKE OR PREPARE AN
17 ADULT HEMP BEVERAGES PRODUCT.

18 2. DOES NOT INCLUDE EXTRACTION OF CANNABINOIDS FROM INDUSTRIAL
19 HEMP.

20 Sec. 31. Section 4-221, Arizona Revised Statutes, is amended to
21 read:

22 4-221. Registration of stills; forfeiture; sale; proceeds

23 A. Every person having in ~~his~~ THE PERSON'S possession or custody or
24 under ~~his~~ THE PERSON'S control a still or distilling apparatus shall
25 register it with the director under the rules the director may prescribe,
26 and every still or distilling apparatus not so registered, together with
27 all mash, wort or wash, for distillation or for the production of spirits
28 or alcohol, and all finished products, together with all personal property
29 in the possession or custody of, or under the control of any person, ~~which~~
30 ~~THAT~~ may be used in the ~~manufacture~~ PRODUCTION or transportation of
31 spirituous liquors, and ~~which~~ ~~THAT~~ is found in the building or in any yard
32 or enclosure connected with the building in which the unregistered still
33 or distilling apparatus is located, shall be forfeited to ~~the~~ THIS state.

34 B. The still, distilling apparatus, mash, wort, wash or finished
35 products shall forthwith be destroyed by any peace officer, and all
36 personal property forfeited to the state shall be sold at public auction
37 to the highest bidder for cash on five days' notice.

38 C. The notice shall be posted at the courthouse in the county in
39 which the personal property was seized or at the office of the director
40 and shall be published in a newspaper of general circulation published in
41 this state ~~which~~ ~~THAT~~ is nearest to the place where the personal property
42 was seized. After paying the expenses of the publication and the expenses
43 of sale from the proceeds of the sale, any balance shall be paid into the
44 STATE general fund ~~of the state~~.

1 Sec. 32. Section 4-222, Arizona Revised Statutes, is amended to
2 read:

3 4-222. Registration of retail agents; fees

4 A. Every person who holds a bar, beer and wine bar, liquor store,
5 beer and wine store, club, hotel-motel or restaurant license and who is
6 authorized by other similarly licensed retailers to act as their retail
7 agent shall register with the director. Such registration shall be in
8 accordance with the rules adopted by the director pursuant to section
9 4-112 and shall also include a listing of the names and business addresses
10 of those similarly licensed retailers who have authorized ~~him~~ THE PERSON
11 to act as their retail agent. While possessing a certificate of
12 registration, a retail agent shall be entitled to purchase and shall
13 accept delivery of spirituous liquors OR ADULT HEMP BEVERAGES for which ~~he~~
14 THE RETAIL AGENT is licensed for and on behalf of ~~himself~~ THE RETAIL AGENT
15 and those similarly licensed retailers who have authorized ~~him~~ THE RETAIL
16 AGENT to act as their retail agent with the delivery to be made at the
17 retail agent's licensed premises or other location authorized by the
18 department. On the termination of such authorization by any retailer, the
19 retail agent shall promptly notify the director. ~~Nothing in~~ This section
20 ~~shall~~ DOES NOT require a wholesaler to sell malt beverages OR ADULT HEMP
21 BEVERAGES to a registered retail agent for distribution to other
22 retailers.

23 B. A fee of ~~five dollars~~ \$5 shall be collected for each registered
24 retailer in this state, and a fee of ~~fifty dollars~~ \$50 for each registered
25 agent for a distillery, winery, brewery, importer or broker having its
26 place of ~~manufacture~~ PRODUCTION or business outside of ~~the~~ THIS state.

27 C. The director shall issue a certificate of registration to each
28 person so registered as provided in this section, and may, for good cause
29 shown, cancel any certificate of registration so issued.

30 Sec. 33. Section 4-223, Arizona Revised Statutes, is amended to
31 read:

32 4-223. Authority of cities and towns to tax transactions
33 involving spirituous liquors or adult hemp
34 beverages; prohibitions

35 A. In addition to the taxes provided for in this chapter,
36 incorporated cities and towns ~~shall~~ have the power to levy a tax on the
37 privilege of engaging or continuing in the business of selling spirituous
38 liquor OR ADULT HEMP BEVERAGES at retail within their corporate limits and
39 to impose a permit tax or fee, but this section ~~shall~~ DOES not apply to
40 wholesalers licensed under section 4-209.

41 B. This section ~~shall~~ DOES not ~~be construed to~~ give to incorporated
42 cities and towns power to prohibit the PRODUCTION, manufacture, sale,
43 distribution, and disposal of ~~intoxicating~~ SPIRITUOUS liquors OR ADULT
44 HEMP BEVERAGES.

1 Sec. 34. Section 4-224, Arizona Revised Statutes, is amended to
2 read:

3 4-224. Local ordinances; prohibitions

4 A city, town or county shall not adopt ordinances or regulations in
5 conflict with ~~the provisions of~~ this title or any rules adopted pursuant
6 to this title, including, ~~but not limited to,~~ ordinances or regulations
7 pertaining to hours and days of SPIRITOUS liquor sales OR ADULT HEMP
8 BEVERAGES SALES and ordinances or regulations that conflict with the
9 definition of restaurant in section 4-205.02. A city, town or county
10 shall not limit any right granted by the license, by this title or by any
11 rules adopted pursuant to this title. A city, town or county may enforce
12 lawful zoning requirements. Zoning shall not be a basis for protesting or
13 denying a license under this title.

14 Sec. 35. Repeal

15 Section 4-225, Arizona Revised Statutes, is repealed.

16 Sec. 36. Title 4, chapter 2, article 2, Arizona Revised Statutes,
17 is amended by adding a new section 4-225, to read:

18 4-225. Adult hemp beverages; rules; testing; labeling

19 A. A PRODUCER, CRAFT PRODUCER OR ADULT HEMP BEVERAGES MANUFACTURER
20 SHALL HAVE ALL ADULT HEMP BEVERAGES TESTED BEFORE DISTRIBUTION TO A
21 WHOLESALER. THE TESTING SHALL DETERMINE THE POTENCY AND AMOUNTS OF THE
22 SUBSTANCES PRESCRIBED IN SUBSECTION B OF THIS SECTION. NO ADULT HEMP
23 BEVERAGES PRODUCT SHALL BE DISTRIBUTED OR SOLD IN THIS STATE THAT HAS NOT
24 BEEN TESTED OR THAT CONTAINS MORE THAN THE MAXIMUM AMOUNT OF TOTAL
25 TETRAHYDROCANNABINOL THAT IS ALLOWED UNDER THIS TITLE OR THE MAXIMUM
26 AMOUNT THAT IS STATED FOR ANY SUBSTANCE PRESCRIBED IN SUBSECTION B OF THIS
27 SECTION. NO PRODUCT SHALL HAVE A VARIANCE OF MORE THAN TEN PERCENT BELOW
28 OR ABOVE THE MAXIMUM TOTAL TETRAHYDROCANNABINOL LIMIT.

29 B. ON OR BEFORE JULY 1, 2026, THE DEPARTMENT SHALL ADOPT RULES
30 SPECIFYING PASS OR FAIL ACTION LEVELS AND VARIANCE LEVELS THAT ARE ALLOWED
31 FOR POTENCY, SAFETY AND TOXICITY WITH RESPECT TO THE TESTING REQUIRED BY
32 THIS SECTION. ALL ADULT HEMP BEVERAGES OFFERED FOR SALE OR DISTRIBUTION IN
33 THIS STATE SHALL CONTAIN ONLY NATURALLY OCCURRING CANNABINOIDS AND SHALL
34 BE TESTED FOR POTENCY AND THE PRESENCE OF PESTICIDES, MICROBIALS, RESIDUAL
35 SOLVENTS AND HEAVY METALS.

36 C. A PRODUCER OR ADULT HEMP BEVERAGES MANUFACTURER SHALL CONTRACT
37 WITH AN APPROVED INDEPENDENT TESTING LABORATORY TO PROVIDE THE TESTING AND
38 CERTIFICATE OF ANALYSIS THAT IS REQUIRED PURSUANT TO THIS SECTION. AN
39 INDEPENDENT TESTING LABORATORY THAT PROVIDES TESTING SHALL USE
40 HIGH-PERFORMANCE LIQUID CHROMATOGRAPHY FOR ANY SEPARATION AND MEASUREMENT
41 THAT IS REQUIRED IN THE TESTING.

42 D. AN INDEPENDENT TESTING LABORATORY THAT PERFORMS TESTING OF ADULT
43 HEMP BEVERAGES PURSUANT TO THIS SECTION SHALL MEET ALL OF THE FOLLOWING
44 REQUIREMENTS:

1 1. BE A QUALIFIED LABORATORY THAT IS APPROVED BY THE DEPARTMENT TO
2 ANALYZE THE POTENCY OF ADULT HEMP BEVERAGES AND TEST ADULT HEMP BEVERAGES
3 FOR HARMFUL CONTAMINANTS IN ACCORDANCE WITH THE REQUIREMENTS OF THIS
4 SECTION AND ANY APPLICABLE RULES.

5 2. HOLD AN ISO 17025 ACCREDITATION OR BE REGISTERED WITH THE
6 FEDERAL DRUG ENFORCEMENT ADMINISTRATION IN ACCORDANCE WITH 21 CODE OF
7 FEDERAL REGULATIONS SECTION 1301.13.

8 3. HAVE NO DIRECT OR INDIRECT INTEREST IN THE ENTITY WHOSE PRODUCT
9 IS BEING TESTED.

10 4. HAVE NO DIRECT OR INDIRECT INTEREST IN ANY PRODUCER,
11 MANUFACTURER, WHOLESALER OR RETAILER LICENSED UNDER THIS TITLE.

12 E. EACH ADULT HEMP BEVERAGE TESTED IN ACCORDANCE WITH THIS SECTION
13 SHALL BE ACCOMPANIED BY A VALIDLY ISSUED CERTIFICATE OF ANALYSIS FROM AN
14 APPROVED INDEPENDENT TESTING LABORATORY TO DEMONSTRATE ALL OF THE
15 FOLLOWING:

16 1. THE BATCH IDENTIFICATION NUMBER.

17 2. THE DATE RECEIVED.

18 3. THE DATE OF COMPLETION.

19 4. THE METHOD OF ANALYSIS FOR EACH TEST CONDUCTED.

20 5. PROOF THAT THE CERTIFICATE OF ANALYSIS IS CONNECTED TO THE
21 PRODUCT.

22 F. EACH BATCH OF ADULT HEMP BEVERAGES MANUFACTURED SHALL UNDERGO
23 TESTING AND OBTAIN A CERTIFICATE OF ANALYSIS BY AN APPROVED INDEPENDENT
24 TESTING LABORATORY.

25 G. ALL ADULT HEMP BEVERAGES SHALL HAVE AN EXPIRATION DATE ON THE
26 LABEL THAT CONFORMS WITH APPLICABLE LAW AND SHALL BE NOT MORE THAN TWO
27 YEARS AFTER THE DATE OF PUBLICATION OF THE PRODUCT'S CERTIFICATE OF
28 ANALYSIS THAT IS REQUIRED UNDER THIS SECTION.

29 H. THE DEPARTMENT SHALL DO BOTH OF THE FOLLOWING:

30 1. MAINTAIN AND POST ON THE DEPARTMENT'S WEBSITE A REGISTRY OF
31 INDEPENDENT TESTING LABORATORIES THAT THE DEPARTMENT APPROVES TO TEST
32 ADULT HEMP BEVERAGES.

33 2. DEVELOP A PERMIT APPLICATION BY WHICH INDEPENDENT TESTING
34 LABORATORIES ARE APPROVED AND LISTED ON THE DEPARTMENT'S WEBSITE. THE
35 PERMIT APPLICATION SUBMITTED BY A POTENTIALLY QUALIFYING INDEPENDENT
36 TESTING LABORATORY MUST INCLUDE A SAMPLE CERTIFICATE OF ANALYSIS ISSUED BY
37 THE APPLYING LABORATORY.

38 I. THE LABEL OF AN ADULT HEMP BEVERAGE OFFERED FOR DISTRIBUTION AND
39 SALE IN THIS STATE SHALL CONTAIN ALL OF THE FOLLOWING INFORMATION:

40 1. THE BRAND NAME.

41 2. THE SIZE OF THE CONTAINER AND SERVING SIZE.

42 3. THE NET WEIGHT OR VOLUME OF THE PRODUCT.

43 4. A LIST OF INGREDIENTS, INCLUDING:

44 (a) THE AMOUNT OF ANY ADVERTISED CANNABINOID IN MILLIGRAMS.

45 (b) THE AMOUNT OF ANY PRIMARY CANNABINOID IN MILLIGRAMS.

1 (c) THE AMOUNT OF TOTAL TETRAHYDROCANNABINOL AND NUMBER OF SERVINGS
2 IN MILLIGRAMS.

3 5. THE BATCH NUMBER.

4 6. A STATEMENT THAT USE WHILE PREGNANT OR BREASTFEEDING MAY BE
5 HARMFUL.

6 7. A STATEMENT THAT THE PRODUCT CONTAINS HEMP-DERIVED
7 TETRAHYDROCANNABINOL CANNABINOIDS AND THAT CONSUMPTION OF CERTAIN
8 TETRAHYDROCANNABINOL CANNABINOIDS MAY IMPAIR YOUR ABILITY TO DRIVE OR
9 OPERATE HEAVY MACHINERY.

10 8. A STATEMENT TO KEEP OUT OF THE REACH OF CHILDREN AND PETS.

11 9. A STATEMENT OR ICON THAT THE PRODUCT IS INTENDED FOR USE BY
12 PERSONS TWENTY-ONE YEARS OF AGE OR OLDER ONLY.

13 10. A STATEMENT THAT CONSUMING ADULT HEMP BEVERAGE PRODUCTS MAY
14 RESULT IN A FAILED DRUG TEST.

15 11. A STATEMENT THAT THIS PRODUCT HAS NOT BEEN EVALUATED BY THE
16 FOOD AND DRUG ADMINISTRATION AND THIS PRODUCT IS NOT INTENDED TO DIAGNOSE,
17 TREAT, CURE OR PREVENT ANY DISEASE.

18 12. THE EXPIRATION DATE.

19 13. A SYMBOL THAT COMPLIES WITH AN INTERNATIONALLY RECOGNIZED
20 SYMBOL THAT INDICATES AN INTOXICATING CANNABINOID PRODUCT THAT IS
21 RECOGNIZED BY A SOCIETY THAT REGULATES TESTING AND MATERIALS. THIS SYMBOL
22 MAY INCLUDE THE LETTERS "THC" UNDERNEATH THE SYMBOL.

23 J. ALL ADULT HEMP BEVERAGES PACKAGING SHALL INCLUDE A WEBSITE LINK
24 BY INCLUDING A QUICK RESPONSE CODE THAT LINKS TO THE PRODUCER'S WEBSITE,
25 THE PRODUCER'S CERTIFICATE OF ANALYSIS PROVIDED BY AN INDEPENDENT TESTING
26 LABORATORY AND THE PRODUCER'S NAME, PHYSICAL ADDRESS, TELEPHONE NUMBER AND
27 EMAIL ADDRESS.

28 Sec. 37. Section 4-226, Arizona Revised Statutes, is amended to
29 read:

30 4-226. Exemptions

31 This title does not apply to the following:

32 1. Drugstores selling spirituous liquors only on prescription.

33 2. Any confectionery candy containing less than five percent by
34 weight of alcohol.

35 3. Ethyl alcohol intended for use or used for the following
36 purposes:

37 (a) Scientific, chemical, mechanical, industrial and medicinal
38 purposes. For the purposes of this ~~paragraph~~ SUBDIVISION, medicinal
39 purposes do not include ethyl alcohol or spirituous liquor that contains
40 marijuana or usable marijuana as defined in section 36-2801.

41 (b) By those authorized to procure spirituous liquor or ethyl
42 alcohol tax-free, as provided by the acts of Congress and regulations
43 promulgated under the acts of Congress.

1 (c) In the manufacture of denatured alcohol produced and used as
2 provided by the acts of Congress and regulations promulgated under the
3 acts of Congress.

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

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

10 4. The purchase, storage, distribution, service or consumption of
11 wine in connection with the bona fide practice of a religious belief or as
12 an integral part of a religious exercise by a church recognized by the
13 United States internal revenue service under section 501(c)(3) of the
14 internal revenue code and in a manner not dangerous to public health or
15 safety. This exemption does not apply to any alleged violation of section
16 4-244, paragraph 9, 34, 35 or 41.

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

21 6. The manufacture or sale of bitters products that have been
22 classified and approved as a nonbeverage product or unfit for beverage
23 purposes by the United States alcohol and tobacco tax and trade bureau.
24 This paragraph is consistent with the classification guidelines as
25 established and administered by the United States alcohol and tobacco tax
26 and trade bureau.

27 7. THE EXTRACTION OF CANNABINOIDS FROM INDUSTRIAL HEMP, THE PRODUCT
28 OF WHICH IS AN EXTRACT USED TO MANUFACTURE AN ADULT HEMP BEVERAGES
29 PRODUCT.

30 Sec. 38. Section 4-227, Arizona Revised Statutes, is amended to
31 read:

32 4-227. Qualified retail cooperatives; pricing; definitions

33 A. A wholesaler shall sell its product to a qualified retail
34 cooperative at prices established by the quantity of spirituous liquor OR
35 ADULT HEMP BEVERAGES being purchased.

36 B. As used in this section:

37 1. "Product" means a particular brand of spirituous liquor OR ADULT
38 HEMP BEVERAGES in a designated size container or a mix of brands and
39 containers when sold on a combined basis established by the wholesaler
40 that is offered on quantity discount terms established by the wholesaler.

41 2. "Qualified retail cooperative" means a retail cooperative of two
42 or more retail licensees or licenses.

1 Sec. 39. Section 4-227.01, Arizona Revised Statutes, is amended to
2 read:

3 4-227.01. Channel pricing; definition

4 A. The wholesaler may employ channel pricing to sell its product to
5 on-sale licensees at a different price than the wholesaler sells its
6 product to off-sale licensees. All channel pricing discounts must be:

7 1. Based on the volume of the product delivered within a
8 twenty-four hour period.

9 2. Made equally available to each retailer in that retailer's
10 channel.

11 B. If an establishment has multiple licenses at the same location
12 and the licenses are not from the same channel, the spirituous liquor **OR**
13 **ADULT HEMP BEVERAGES** shall be sold under the channel that represents the
14 primary use of the premises.

15 C. For the purposes of this section, "product" means a particular
16 brand of spirituous liquor **OR ADULT HEMP BEVERAGES** in a designated size
17 container or a mix of brands and containers when sold on a combined basis
18 as established by the wholesaler that is offered in quantity discount
19 terms established by the wholesaler.

20 Sec. 40. Section 4-241, Arizona Revised Statutes, is amended to
21 read:

22 4-241. Selling or giving liquor or adult hemp beverages to
23 underage person; illegally obtaining liquor or adult
24 hemp beverages by underage person; violation;
25 classification

26 A. If a licensee, an employee of the licensee or any other person
27 questions or has reason to question that the person ordering, purchasing,
28 attempting to purchase or otherwise procuring or attempting to procure the
29 serving or delivery of spirituous liquor **OR ADULT HEMP BEVERAGES** or
30 entering a portion of a licensed premises when the primary use is the sale
31 or service of spirituous liquor **OR ADULT HEMP BEVERAGES** is under the legal
32 drinking age, the licensee, employee of the licensee or other person shall
33 do all of the following:

34 1. Demand identification from the person.

35 2. Examine the identification to determine that the identification
36 reasonably appears to be a valid, unaltered identification that has not
37 been defaced.

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

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

42 B. A licensee or an employee of the licensee who follows the
43 procedures prescribed in subsection A of this section and who records and
44 retains a record of the person's identification on this particular visit,
45 or a licensee or an employee of the licensee who uses a biometric identity

1 verification device to verify a person is not under the legal drinking age
 2 as provided in subsection W of this section, is not in violation of
 3 subsection J of this section or section 4-244, paragraph 9 or 22. This
 4 defense applies to actions of the licensee and all employees of the
 5 licensee after the procedure prescribed in subsection A or W of this
 6 section has been employed during the particular visit to the licensed
 7 premises by the person. A licensee or an employee of the licensee is not
 8 required to demand and examine identification of a person pursuant to
 9 subsection A or W of this section if, during this visit to the licensed
 10 premises by the person, the licensee or any employee of the licensee has
 11 previously followed the procedure prescribed in subsection A or W of this
 12 section.

13 C. Proof that the licensee or employee followed the entire
 14 procedure prescribed in subsection A of this section but did not record
 15 and retain a record as prescribed in subsection B of this section is an
 16 affirmative defense to a criminal charge under subsection J of this
 17 section or under section 4-244, paragraph 9 or 22 or a disciplinary action
 18 under section 4-210 for a violation of subsection J of this section or
 19 section 4-244, paragraph 9 or 22. This defense applies to actions of the
 20 licensee and all employees of the licensee after the procedure has been
 21 employed during the particular visit to the licensed premises by the
 22 person.

23 D. A licensee or an employee who has not recorded and retained a
 24 record of the identification as prescribed by subsection B of this section
 25 is presumed not to have followed any of the elements prescribed in
 26 subsection A of this section.

27 E. For the purposes of section 4-244, paragraph 22, a licensee or
 28 an employee who has not recorded and retained a record of the
 29 identification as prescribed by subsection B of this section is presumed
 30 to know that the person entering or attempting to enter a portion of a
 31 licensed premises when the primary use is the sale or service of
 32 spirituous liquor OR ADULT HEMP BEVERAGES is under the legal drinking age.

33 F. It is a defense to a violation of subsection A of this section
 34 if the person ordering, purchasing, attempting to purchase or otherwise
 35 procuring or attempting to procure the serving or delivery of spirituous
 36 liquor OR ADULT HEMP BEVERAGES or to enter a portion of a licensed
 37 premises when the primary use is the sale or service of spirituous liquor
 38 OR ADULT HEMP BEVERAGES is not under the legal drinking age.

39 G. A person penalized for a violation of subsection J of this
 40 section or section 4-244, paragraph 22 shall not be additionally penalized
 41 for a violation of subsection A or W of this section relating to the same
 42 event.

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

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

3 1. A writing containing the type of identification, the date of
4 issuance of the identification, the name on the identification, the date
5 of birth on the identification and the signature of the person.

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

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

9 4. A photograph of the identification.

10 5. A digital copy of the identification.

11 J. An off-sale retail licensee or employee of an off-sale retail
12 licensee shall require an instrument of identification from any customer
13 who appears to be under twenty-seven years of age and who is using a
14 drive-through or other physical feature of the licensed premises that
15 allows a customer to purchase spirituous liquor OR ADULT HEMP BEVERAGES
16 without leaving the customer's vehicle.

17 K. The following written instruments are the only types of
18 identification that are acceptable under subsection A of this section:

19 1. An unexpired driver license issued by this state. A driver
20 license issued to a person who is under twenty-one years of age is no
21 longer an acceptable type of identification under this paragraph thirty
22 days after the person turns twenty-one years of age.

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

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

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

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

38 6. A valid unexpired passport or a valid unexpired resident alien
39 card that contains a photograph of the person and the person's date of
40 birth.

41 7. A valid unexpired consular identification card that is issued by
42 a foreign government if the foreign government uses biometric identity
43 verification techniques in issuing the consular identification card. For
44 the purposes of this paragraph, "biometric identity verification
45 techniques" has the same meaning prescribed in section 41-5001.

1 8. A valid unexpired border crossing card issued by the United
2 States government that contains a photograph of the person and the
3 person's date of birth.

4 L. A person who is under the legal drinking age and who
5 misrepresents the person's age to any person by means of a written
6 instrument of identification with the intent to induce a person to sell,
7 serve, give or furnish spirituous liquor OR ADULT HEMP BEVERAGES contrary
8 to law is guilty of a class 1 misdemeanor.

9 M. A person who is under the legal drinking age and who solicits
10 another person to purchase, sell, give, serve or furnish spirituous liquor
11 OR ADULT HEMP BEVERAGES contrary to law is guilty of a class 3
12 misdemeanor.

13 N. A person who is under the legal drinking age and who uses a
14 fraudulent or false written instrument of identification or identification
15 of another person or uses a valid license or identification of another
16 person to gain access to a licensed establishment is guilty of a class 1
17 misdemeanor.

18 O. A person who uses a driver or nonoperating identification
19 license in violation of subsection L or N of this section is subject to
20 suspension of the driver or nonoperating identification license as
21 provided in section 28-3309. A person who does not have a valid driver or
22 nonoperating identification license and who uses a driver or nonoperating
23 identification license of another in violation of subsection N of this
24 section has the person's right to apply for a driver or nonoperating
25 identification license suspended as provided by section 28-3309.

26 P. A person who knowingly influences the sale, giving or serving of
27 spirituous liquor OR ADULT HEMP BEVERAGES to a person under the legal
28 drinking age by misrepresenting the age of such person or who orders,
29 requests, receives or procures spirituous liquor OR ADULT HEMP BEVERAGES
30 from any licensee, employee or other person with the intent of selling,
31 giving or serving it to a person under the legal drinking age is guilty of
32 a class 1 misdemeanor. A licensee or employee of a licensee who has
33 actual knowledge that a person is under the legal drinking age and who
34 admits the person into any portion of the licensed premises in violation
35 of section 4-244, paragraph 22 is in violation of this subsection. In
36 addition to other penalties provided by law, a judge may suspend a driver
37 license issued to or the driving privilege of a person for not more than
38 thirty days for a first conviction and not more than six months for a
39 second or subsequent conviction under this subsection.

40 Q. A person who is at least eighteen years of age and who is an
41 occupant of an unlicensed premises is guilty of a class 1 misdemeanor if
42 the person knowingly hosts on the unlicensed premises a gathering of two
43 or more persons who are under the legal drinking age and if the person
44 knows that one or more of the persons under the legal drinking age are in

1 possession of or consuming spirituous liquor OR ADULT HEMP BEVERAGES on
2 the unlicensed premises.

3 R. For the purposes of subsection Q of this section:

4 1. "Hosts" means allowing or promoting a party, gathering or event
5 at a person's place of residence or other premises under the person's
6 ownership or control where spirituous liquor ~~is~~ OR ADULT HEMP BEVERAGES
7 ARE served to, in the possession of or consumed by an underage person.

8 2. "Occupant" means a person who has legal possession or the legal
9 right to exclude others from the unlicensed premises.

10 S. A peace officer shall forward or electronically transfer to the
11 director of the department of transportation the affidavit required by
12 section 28-3310 if the peace officer has arrested a person for committing
13 an offense for which, on conviction, suspension of the license or
14 privilege to operate a motor vehicle is required by section 28-3309,
15 subsection A, B, C or D, or if the peace officer has confiscated a false
16 identification document used by the person to gain access to licensed
17 premises.

18 T. A person who acts under a program of testing compliance with
19 this title that is approved by the director is not in violation of section
20 4-244.

21 U. Law enforcement agencies may use persons who are under the legal
22 drinking age to test compliance with this section and section 4-244,
23 paragraph 9 by a licensee if the law enforcement agency has reasonable
24 suspicion that the licensee is violating this section or section 4-244,
25 paragraph 9. A person who is under the legal drinking age and who
26 purchases or attempts to purchase spirituous liquor OR ADULT HEMP
27 BEVERAGES under the direction of a law enforcement agency pursuant to this
28 subsection is immune from prosecution for that purchase or attempted
29 purchase. Law enforcement agencies may use a person under the legal
30 drinking age pursuant to this subsection only if:

31 1. The person is at least fifteen but not more than nineteen years
32 of age.

33 2. The person is not employed on an incentive or quota basis.

34 3. The person's appearance is that of a person who is under the
35 legal drinking age.

36 4. A photograph of the person is taken not more than twelve hours
37 before the purchase or attempted purchase. The photograph shall
38 accurately depict the person's appearance and attire. A licensee or an
39 employee of a licensee who is cited for selling spirituous liquor OR ADULT
40 HEMP PRODUCTS to a person under the legal drinking age pursuant to this
41 subsection is allowed to inspect the photograph immediately after the
42 citation is issued. The person's appearance at any trial or
43 administrative hearing that results from a citation shall not be
44 substantially different from the person's appearance at the time the
45 citation was issued.

1 5. The person places, receives and pays for the person's order of
2 spirituous liquor OR ADULT HEMP BEVERAGES. An adult shall not accompany
3 the person onto the premises of the licensee.

4 6. The person does not consume any spirituous liquor OR ADULT HEMP
5 PRODUCTS.

6 V. The department may adopt rules to carry out the purposes of this
7 section.

8 W. In lieu of or in addition to the procedures prescribed in
9 subsection A of this section, a licensee, an employee of the licensee or
10 any other person who questions or has reason to question whether the
11 person ordering, purchasing, attempting to purchase or otherwise procuring
12 or attempting to procure the serving or delivery of spirituous liquor OR
13 ADULT HEMP BEVERAGES or entering a portion of a licensed premises when the
14 primary use is the sale or service of spirituous liquor OR ADULT HEMP
15 BEVERAGES is under the legal drinking age, the licensee, employee of the
16 licensee or other person may use a biometric identity verification device
17 to determine the person's age. In any instance where the device indicates
18 the person is under the legal drinking age, the attempted purchase,
19 procurement or entry shall be denied.

20 Sec. 41. Section 4-242, Arizona Revised Statutes, is amended to
21 read:

22 4-242. Sale of spirituous liquor or adult hemp beverages on
23 credit prohibited; exceptions

24 A. It is unlawful for a retail licensee, or an employee or agent of
25 a licensee, to sell or offer to sell, directly or indirectly, or to
26 sanction the sale on credit of spirituous liquor OR ADULT HEMP BEVERAGES
27 to a retailer's customer, or to give, lend or advance money or anything of
28 value to a retail customer for the purpose of purchasing or bartering for
29 spirituous liquor OR ADULT HEMP BEVERAGES, except that sales of spirituous
30 liquor OR ADULT HEMP BEVERAGES consumed on the retail licensed premises
31 may be included on bills rendered to registered guests in hotels and
32 motels, and spirituous liquor sales OR ADULT HEMP BEVERAGES SALES for on
33 or off premises consumption may be made with credit cards approved by the
34 director, and sales of spirituous liquor OR ADULT HEMP BEVERAGES consumed
35 on the premises of private clubs may be included on bills rendered to bona
36 fide members.

37 B. Any wholesaler or producer may engage in credit transactions
38 with any other wholesaler or producer.

39 Sec. 42. Section 4-243, Arizona Revised Statutes, is amended to
40 read:

41 4-243. Commercial coercion or bribery unlawful; exceptions

42 A. It is unlawful for a person engaged in the business of
43 distiller, vintner, brewer, rectifier or blender or any other producer or
44 wholesaler of any spirituous liquor OR ADULT HEMP BEVERAGES, directly or
45 indirectly, or through an affiliate:

1 1. To require that a retailer purchase spirituous liquor OR ADULT
2 HEMP BEVERAGES from the producer or wholesaler to the exclusion, in whole
3 or in part, of spirituous liquor OR ADULT HEMP BEVERAGES sold or offered
4 for sale by other persons.

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

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

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

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

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

22 7. To extend credit to the retailer on a sale of spirituous liquor
23 OR ADULT HEMP BEVERAGES.

24 8. To require the retailer to take and dispose of a certain quota
25 of spirituous liquor OR ADULT HEMP BEVERAGES.

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

28 B. This section does not prohibit any distiller, vintner, brewer,
29 rectifier, blender or other producer or wholesaler of any spirituous
30 liquor OR ADULT HEMP BEVERAGES from:

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

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

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

40 (b) Sampling shall be limited to sixteen ounces of beer or cooler
41 products, SIX OUNCES OF ADULT HEMP BEVERAGE PRODUCTS, six ounces of wine
42 or two ounces of distilled spirits per person per brand.

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

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

4 (e) The producer or wholesaler may not give a keg of beer or any
5 spirituous liquor OR ADULT HEMP BEVERAGES or any other gifts or benefits
6 to the on-sale retailer.

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

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

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

13 (b) The producer or wholesaler shall notify the department in
14 writing or by electronic means at least five days before the sampling of
15 the date, time and location of the sampling and of the name of the
16 wholesaler or producer distributing the product.

17 (c) Sampling is limited to three ounces of beer, TWO OUNCES OF
18 ADULT HEMP BEVERAGE PRODUCTS, one and one-half ounces of wine or one ounce
19 of distilled spirits per person per day for consumption on the premises
20 and up to seventy-two ounces of beer, TWELVE OUNCES OF ADULT HEMP BEVERAGE
21 PRODUCTS and two ounces of distilled spirits per person per day for
22 consumption off the premises.

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

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

29 (f) A producer conducting sampling shall buy the sampled product
30 from a wholesaler or from the retailer where the sampling is being
31 conducted. If the product for the sampling is purchased from the
32 retailer, the amount paid for the product must be the same amount that the
33 retailer charges for sale to the general public.

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

36 (h) The producer or wholesaler may not provide samples to the
37 retailer or the retailer's employees.

38 (i) Sampling shall not be conducted in retail premises with a total
39 of under five thousand square feet of retail space unless at least
40 seventy-five percent of the retailer's shelf space is dedicated to the
41 sale of spirituous liquor OR ADULT HEMP BEVERAGES.

42 (j) The producer or wholesaler may not give spirituous liquor,
43 ADULT HEMP BEVERAGES or any other gifts or benefits to the off-sale
44 retailer.

1 (k) All sampling procedures shall comply with APPLICABLE federal
2 sampling laws and regulations.

3 C. Notwithstanding subsection A, paragraph 4 of this section, any
4 wholesaler of any spirituous liquor OR ADULT HEMP BEVERAGES may sell
5 tobacco products or foodstuffs to a retailer at a price not less than the
6 cost to the wholesaler.

7 D. Notwithstanding subsection A, paragraph 4, and subsection B,
8 paragraph 2, subdivision (e) of this section, any wholesaler may furnish
9 without cost promotional items to an on-sale retailer, except that the
10 total market value of the promotional items furnished by that wholesaler
11 to that retailer in any calendar year shall not exceed \$700. For the
12 purposes of this subsection, "promotional items":

13 1. Means items of equipment, supplies, novelties or other
14 advertising specialties that conspicuously display the brand name of a
15 spirituous liquor product.

16 2. Does not include signs, dispensing or tapping machines or
17 equipment or refrigerators.

18 E. Notwithstanding subsection A, paragraphs 4 and 7 of this
19 section, a wholesaler may in the wholesaler's sole discretion accept the
20 return of malt beverage products from a retailer under any of the
21 following conditions:

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

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

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

32 F. It is unlawful for a retailer to request or knowingly receive
33 anything of value that a distiller, vintner, brewer, rectifier or blender
34 or any other producer or wholesaler is prohibited by subsection A, D or E
35 of this section from furnishing to a retailer, except that this subsection
36 does not prohibit special discounts provided to retailers and based on
37 quantity purchases.

38 Sec. 43. Section 4-243.01, Arizona Revised Statutes, is amended to
39 read:

40 4-243.01. Purchasing from other than primary source of supply
41 unlawful; definitions

42 A. It is unlawful:

43 1. For any supplier to solicit, accept or fill any order for any
44 spirituous liquor OR ADULT HEMP BEVERAGES from any wholesaler in this
45 state unless the supplier is the primary source of supply for the brand of

1 spirituous liquor OR ADULT HEMP BEVERAGES sold or sought to be sold and is
2 duly licensed by the board.

3 2. For any wholesaler or any other licensee in this state to order,
4 purchase or receive any spirituous liquor OR ADULT HEMP BEVERAGES from any
5 supplier unless the supplier is the primary source of supply for the brand
6 ordered, purchased or received.

7 3. Except as provided by section 4-243.02, for a retailer to order,
8 purchase or receive any spirituous liquor OR ADULT HEMP BEVERAGES from any
9 source other than any of the following:

10 (a) A wholesaler that has purchased the brand from the primary
11 source of supply.

12 (b) A wholesaler that is the designated representative of the
13 primary source of supply in this state and that has purchased such
14 spirituous liquor OR ADULT HEMP BEVERAGES from the designated
15 representative of the primary source of supply within or without this
16 state.

17 (c) A registered retail agent ~~as defined in section 4-101.~~

18 (d) A farm winery that is licensed under section 4-205.04 and that
19 is subject to the limits prescribed in section 4-205.04, subsection C,
20 paragraph 7.

21 (e) A licensed microbrewery licensed under section 4-205.08.

22 (f) A craft distiller that is licensed under section 4-205.10 and
23 that is subject to the limits prescribed in section 4-205.10, subsection
24 C, paragraph 5.

25 B. All spirituous liquor OR ADULT HEMP BEVERAGES shipped into this
26 state shall be invoiced to the wholesaler by the primary source of supply.
27 All spirituous liquor OR ADULT HEMP BEVERAGES shall be unloaded and remain
28 at the wholesaler's premises for at least twenty-four hours. A copy of
29 each invoice shall be transmitted by the wholesaler and the primary source
30 of supply to the department of revenue.

31 C. The director may suspend for a period of one year the license of
32 any wholesaler or retailer who violates this section.

33 D. On determination by the department of revenue that a primary
34 source of supply has violated this section, a wholesaler may not accept
35 any shipment of spirituous liquor OR ADULT HEMP BEVERAGES from such
36 primary source of supply for a period of one year.

37 E. For the purposes of this section:

38 1. "Primary source of supply" means the distiller, producer, owner
39 of the commodity at the time it becomes a marketable product, bottler or
40 exclusive agent of any such distributor or owner. In the case of imported
41 products, the primary source of supply means either the foreign producer,
42 owner, bottler or agent or the prime importer from, or the exclusive agent
43 in, the United States of the foreign distiller, producer, bottler or
44 owner.

1 2. "Wholesaler" means any person, firm or corporation that is
2 licensed in this state to sell to retailers and that is engaged in the
3 business of warehousing and distributing brands of various suppliers to
4 retailers generally in the marketing area in which the wholesaler is
5 located.

6 Sec. 44. Section 4-243.02, Arizona Revised Statutes, is amended to
7 read:

8 4-243.02. Sale of beer, wine, distilled spirits or adult hemp
9 beverages by producer; limitations

10 A. A person who holds a producer's license may sell beer produced
11 by the producer through the producer's own on-sale retail premises if:

12 1. The producer also holds an on-sale retail license.

13 2. The retail sale of the beer is on or adjacent to the premises of
14 the producer.

15 B. A person who holds a producer's license may sell wine, ~~or~~
16 distilled spirits **OR ADULT HEMP BEVERAGES** produced by the producer at the
17 producer's licensed premises.

18 Sec. 45. Section 4-243.04, Arizona Revised Statutes, is amended to
19 read:

20 4-243.04. On-sale retail licensees; ownership interests;
21 conditions

22 A. Notwithstanding section 4-243, a distiller, vintner, brewer,
23 rectifier, blender or other producer of spirituous liquor **OR ADULT HEMP**
24 **BEVERAGES** may have a direct or indirect ownership interest or a financial
25 interest in the license, premises or business ~~or~~ **OF** an on-sale retail
26 licensee if each of the following conditions are met:

27 1. The retail licensee purchases all spirituous liquor **OR ADULT**
28 **HEMP BEVERAGES** for sale at the premises from wholesalers that are licensed
29 in this state.

30 2. The retail licensee does not purchase or sell any brand of
31 spirituous liquor **OR ADULT HEMP BEVERAGES** produced by the distiller,
32 vintner, brewer, rectifier, blender or other producer of spirituous liquor
33 **OR ADULT HEMP BEVERAGES** or by any of its subsidiaries or affiliates.

34 3. The sale and service of spirituous liquor **OR ADULT HEMP**
35 **BEVERAGES** at the premises is an independent business that is owned,
36 managed and supervised by a person or entity that is not employed by and
37 does not have an ownership interest in the retailer's license, premises or
38 business and is not employed by and does not have an ownership interest in
39 the distiller, vintner, brewer, rectifier, blender or other producer of
40 spirituous liquor **OR ADULT HEMP BEVERAGES**. The person owning, managing
41 and supervising the sale and service of spirituous liquor **OR ADULT HEMP**
42 **BEVERAGES** on the premises of the on-sale retail licensee shall be properly
43 licensed by the department and shall have entered into a commercial lease
44 or operating or management agreement with the owner or operator of the
45 premises. This paragraph does not prohibit the sale and service of

1 spirituous liquor OR ADULT HEMP BEVERAGES by employees of the owner or
2 operator of the premises who act under the supervision of the independent
3 licensee. This paragraph does not prevent the payment of rent, rent
4 calculated as a percentage of gross receipts or a percentage of gross
5 receipts from the sale of spirituous liquor OR ADULT HEMP BEVERAGES to the
6 owner or operator of the premises.

7 B. Notwithstanding section 4-243, a distiller, vintner, brewer,
8 rectifier, blender or other producer of spirituous liquor OR ADULT HEMP
9 BEVERAGES may directly or indirectly furnish, give, rent, lend or sell to
10 an on-sale retail licensee equipment, fixtures, signs, furnishings, money
11 or other things of value if each of the following conditions are met:

12 1. The retail licensee purchases all spirituous liquor OR ADULT
13 HEMP BEVERAGES for sale at the premises from wholesalers that are licensed
14 in this state.

15 2. The retail licensee does not purchase or sell any brand of
16 spirituous liquor OR ADULT HEMP BEVERAGES produced by the distiller,
17 vintner, brewer, rectifier, blender or other producer of spirituous liquor
18 OR ADULT HEMP BEVERAGES or by any of its subsidiaries or affiliates.

19 3. The retail licensee is a franchisee of a person that is
20 affiliated with the distiller, vintner, brewer, rectifier, blender or
21 other producer of spirituous liquor OR ADULT HEMP BEVERAGES and the
22 compensation paid by the retail licensee as a franchise fee or royalty is
23 not based on revenue derived from the sale of spirituous liquor OR ADULT
24 HEMP BEVERAGES.

25 Sec. 46. Section 4-244, Arizona Revised Statutes, is amended to
26 read:

27 4-244. Unlawful acts; definition

28 It is unlawful:

29 1. For a person to buy for resale, sell or deal in spirituous
30 liquors OR ADULT HEMP BEVERAGES in this state without first having
31 procured a license duly issued by the board, except that the director may
32 issue a temporary permit of any series pursuant to section 4-205.05 to a
33 trustee in bankruptcy to acquire and dispose of the spirituous liquor OR
34 ADULT HEMP BEVERAGES of a debtor.

35 2. For a person to sell or deal in alcohol for beverage purposes OR
36 ADULT HEMP BEVERAGES without first complying with this title.

37 3. For a distiller, vintner, brewer or wholesaler knowingly to
38 sell, dispose of or give spirituous liquor OR ADULT HEMP BEVERAGES to any
39 person other than a licensee except in sampling wares as may be necessary
40 in the ordinary course of business, except in donating spirituous liquor
41 to a nonprofit organization that has obtained a special event license for
42 the purpose of charitable fundraising activities or except in donating
43 spirituous liquor with a cost to the distiller, brewer or wholesaler of up
44 to \$500 in a calendar year to an organization that is exempt from federal

1 income taxes under section 501(c) (3), (4), (6) or (7) of the internal
2 revenue code and not licensed under this title.

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

6 5. For a distiller, vintner or brewer to use a vehicle for trucking
7 or transporting spirituous liquors OR ADULT HEMP BEVERAGES unless there is
8 affixed to both sides of the vehicle a sign showing the name and address
9 of the licensee and the type and number of the person's license in letters
10 not less than three and one-half inches in height.

11 6. For a person to take or solicit orders for spirituous liquors OR
12 ADULT HEMP BEVERAGES unless the person is a salesman or solicitor of a
13 licensed wholesaler, a salesman or solicitor of a distiller, brewer,
14 vintner, importer or broker or a registered retail agent.

15 7. For any retail licensee to purchase spirituous liquors OR ADULT
16 HEMP BEVERAGES from any person other than a solicitor or salesman of a
17 wholesaler licensed in this state.

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

21 9. Except as provided in paragraphs 10 and 11 of this section, for
22 a licensee or other person to sell, furnish, dispose of or give, or cause
23 to be sold, furnished, disposed of or given, to a person under the legal
24 drinking age or for a person under the legal drinking age to buy, receive,
25 have in the person's possession or consume spirituous liquor OR ADULT HEMP
26 BEVERAGES. This paragraph does not prohibit the employment by an off-sale
27 retailer of persons who are at least sixteen years of age to check out, if
28 supervised by a person on the premises who is at least eighteen years of
29 age, package or carry merchandise, including spirituous liquor OR ADULT
30 HEMP BEVERAGES, in unbroken packages, for the convenience of the customer
31 of the employer, if the employer sells primarily merchandise other than
32 spirituous liquor OR ADULT HEMP BEVERAGES.

33 10. For a licensee to employ a person under eighteen years of age
34 to ~~manufacture~~ PRODUCE, sell or dispose of spirituous liquors OR
35 MANUFACTURE ADULT HEMP BEVERAGES. This paragraph does not prohibit the
36 employment by an off-sale retailer of persons who are at least sixteen
37 years of age to check out, if supervised by a person on the premises who
38 is at least eighteen years of age, package or carry merchandise, including
39 spirituous liquor OR ADULT HEMP BEVERAGES, in unbroken packages, for the
40 convenience of the customer of the employer, if the employer sells
41 primarily merchandise other than spirituous liquor OR ADULT HEMP
42 BEVERAGES.

43 11. For an on-sale retailer to employ a person under eighteen years
44 of age in any capacity connected with the handling of spirituous liquors
45 OR ADULT HEMP BEVERAGES. This paragraph does not prohibit the employment

1 by an on-sale retailer of a person under eighteen years of age who cleans
2 up the tables on the premises for reuse, removes dirty dishes, keeps a
3 ready supply of needed items and helps clean up the premises.

4 12. For a licensee, when engaged in waiting on or serving
5 customers, to consume spirituous liquor OR ADULT HEMP BEVERAGES or for a
6 licensee or on-duty employee to be on or about the licensed premises while
7 in an intoxicated or disorderly condition.

8 13. For an employee of a retail licensee, during that employee's
9 working hours or in connection with such employment, to give to or
10 purchase for any other person, accept a gift of, purchase for the employee
11 or consume spirituous liquor OR ADULT HEMP BEVERAGES, except that:

12 (a) An employee of a licensee, during that employee's working hours
13 or in connection with the employment, while the employee is not engaged in
14 waiting on or serving customers, may give spirituous liquor OR ADULT HEMP
15 BEVERAGES to or purchase spirituous liquor OR ADULT HEMP BEVERAGES for any
16 other person.

17 (b) An employee of an on-sale retail licensee, during that
18 employee's working hours or in connection with the employment, while the
19 employee is not engaged in waiting on or serving customers, may taste
20 samples of beer, ADULT HEMP BEVERAGES or wine of not more than four ounces
21 per day or distilled spirits of not more than two ounces per day provided
22 by an employee of a wholesaler or distributor who is present at the time
23 of the sampling.

24 (c) An employee of an on-sale retail licensee, under the
25 supervision of a manager as part of the employee's training and education,
26 while not engaged in waiting on or serving customers may taste samples of
27 distilled spirits of not more than two ounces per educational session or
28 beer, ADULT HEMP BEVERAGES or wine of not more than four ounces per
29 educational session, and provided that a licensee does not have more than
30 two educational sessions in any thirty-day period.

31 (d) An unpaid volunteer who is a bona fide member of a club and who
32 is not engaged in waiting on or serving spirituous liquor OR ADULT HEMP
33 BEVERAGES to customers may purchase for himself and consume spirituous
34 liquor OR ADULT HEMP BEVERAGES while participating in a scheduled event at
35 the club. An unpaid participant in a food competition may purchase for
36 himself and consume spirituous liquor OR ADULT HEMP BEVERAGES while
37 participating in the food competition.

38 (e) An unpaid volunteer of a special event licensee under section
39 4-203.02 may purchase and consume spirituous liquor while not engaged in
40 waiting on or serving spirituous liquor to customers at the special event.
41 This subdivision does not apply to an unpaid volunteer whose
42 responsibilities include verification of a person's legal drinking age,
43 security or the operation of any vehicle or heavy machinery.

44 (f) A representative of a producer or wholesaler participating at a
45 special event under section 4-203.02 may consume small amounts of the

1 products of the producer or wholesaler on the premises of the special
2 event for the purpose of quality control.

3 14. For a licensee or other person to serve, sell or furnish
4 spirituous liquor OR ADULT HEMP BEVERAGES to a disorderly or obviously
5 intoxicated person, or for a licensee or employee of the licensee to allow
6 a disorderly or obviously intoxicated person to come into or remain on or
7 about the premises, except that a licensee or an employee of the licensee
8 may allow an obviously intoxicated person to remain on the premises for
9 not more than thirty minutes after the state of obvious intoxication is
10 known or should be known to the licensee for a nonintoxicated person to
11 transport the obviously intoxicated person from the premises. For the
12 purposes of this section, "obviously intoxicated" means inebriated to the
13 extent that a person's physical faculties are substantially impaired and
14 the impairment is shown by significantly uncoordinated physical action or
15 significant physical dysfunction that would have been obvious to a
16 reasonable person.

17 15. For an on-sale or off-sale retailer or an employee of such
18 retailer or an alcohol AND ADULT HEMP BEVERAGES delivery contractor to
19 sell, dispose of, deliver or give spirituous liquor OR ADULT HEMP
20 BEVERAGES to a person between the hours of 2:00 a.m. and 6:00 a.m., except
21 that:

22 (a) A retailer with off-sale privileges may receive and process
23 orders, accept payment or package, load or otherwise prepare spirituous
24 liquor OR ADULT HEMP BEVERAGES for delivery at any time, if the actual
25 deliveries to customers are made between the hours of 6:00 a.m. and 2:00
26 a.m., at which time section 4-241, subsections A and K apply.

27 (b) The governor, in consultation with the governor's office of
28 highway safety and the public safety community in this state, may issue an
29 executive order that extends the closing time until 3:00 a.m. for
30 spirituous liquor OR ADULT HEMP BEVERAGES sales in connection with a
31 professional or collegiate national sporting championship event held in
32 this state.

33 16. For a licensee or employee to knowingly allow any person on or
34 about the licensed premises to give or furnish any spirituous liquor OR
35 ADULT HEMP BEVERAGES to any person under twenty-one years of age or
36 knowingly allow any person under twenty-one years of age to have in the
37 person's possession spirituous liquor OR ADULT HEMP BEVERAGES on the
38 licensed premises.

39 17. For an on-sale retailer or an employee of such retailer to
40 allow a person to consume or possess spirituous liquors OR ADULT HEMP
41 BEVERAGES on the premises between the hours of 2:30 a.m. and 6:00 a.m.,
42 except that if the governor extends the closing time for a day for
43 spirituous liquor OR ADULT HEMP BEVERAGES sales pursuant to paragraph 15
44 of this section it is unlawful for an on-sale retailer or an employee of
45 such retailer on that day to allow a person to consume or possess

1 spirituous liquor OR ADULT HEMP BEVERAGES on the premises between the
2 hours of 3:30 a.m. and 6:00 a.m.

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

11 19. For an off-sale retailer or employee to sell spirituous liquor
12 OR ADULT HEMP BEVERAGES except in the original unbroken container, to
13 allow spirituous liquor OR ADULT HEMP BEVERAGES to be consumed on the
14 premises or to knowingly allow spirituous liquor OR ADULT HEMP BEVERAGES
15 to be consumed on adjacent property under the licensee's exclusive
16 control.

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

29 21. For a person to possess or to transport spirituous liquor OR
30 ADULT HEMP BEVERAGES that is PRODUCED, manufactured in a distillery,
31 winery, brewery or rectifying plant contrary to the laws of the United
32 States and this state. Any property used in transporting such spirituous
33 liquor OR ADULT HEMP BEVERAGES shall be forfeited to the state and shall
34 be seized and disposed of as provided in section 4-221.

35 22. For an on-sale retailer or employee to allow a person under the
36 legal drinking age to remain in an area on the licensed premises during
37 those hours in which its primary use is the sale, dispensing or
38 consumption of alcoholic beverages OR ADULT HEMP BEVERAGES after the
39 licensee, or the licensee's employees, know or should have known that the
40 person is under the legal drinking age. An on-sale retailer may designate
41 an area of the licensed premises as an area in which spirituous liquor OR
42 ADULT HEMP BEVERAGES will not be sold or consumed for the purpose of
43 allowing underage persons on the premises if the designated area is
44 separated by a physical barrier and at no time will underage persons have
45 access to the area in which spirituous liquor ~~is~~ OR ADULT HEMP BEVERAGES

1 ARE sold or consumed. A licensee or an employee of a licensee may require
2 a person who intends to enter a licensed premises or a portion of a
3 licensed premises where persons under the legal drinking age are
4 prohibited under this section to exhibit an instrument of identification
5 that is acceptable under section 4-241 as a condition of entry or may use
6 a biometric identity verification device to determine the person's age as
7 a condition of entry. The director, or a municipality, may adopt rules to
8 regulate the presence of underage persons on licensed premises provided
9 the rules adopted by a municipality are more stringent than those adopted
10 by the director. The rules adopted by the municipality shall be adopted
11 by local ordinance and shall not interfere with the licensee's ability to
12 comply with this paragraph. This paragraph does not apply:

13 (a) If the person under the legal drinking age is accompanied by a
14 spouse, parent, grandparent or legal guardian of legal drinking age or is
15 an on-duty employee of the licensee.

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

19 (i) An active duty military service member.

20 (ii) A veteran.

21 (iii) A member of the United States army national guard or the
22 United States air national guard.

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

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

26 23. For an on-sale retailer or employee to conduct drinking
27 contests, to sell or deliver to a person an unlimited number of spirituous
28 liquor beverages OR ADULT HEMP BEVERAGES during any set period of time for
29 a fixed price, to deliver more than fifty ounces of beer, TEN MILLIGRAMS
30 OF TOTAL TETRAHYDROCANNABINOL IN ADULT HEMP BEVERAGES, one liter of wine
31 or four ounces of distilled spirits in any ~~spirituous liquor~~ drink to one
32 person at one time for that person's consumption or to advertise any
33 practice prohibited by this paragraph. This paragraph does not prohibit
34 an on-sale retailer or employee from selling and delivering an opened,
35 original container of distilled spirits if:

36 (a) Service or pouring of the spirituous liquor is provided by an
37 employee of the on-sale retailer. A licensee shall not be charged for a
38 violation of this paragraph if a customer, without the knowledge of the
39 retailer, removes or tampers with a locking device on a bottle delivered
40 to the customer for bottle service and the customer pours the customer's
41 own drink from the bottle, if when the licensee becomes aware of the
42 removal or tampering of the locking device the licensee immediately
43 installs a functioning locking device on the bottle or removes the bottle
44 and lock from bottle service.

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

4 24. For a licensee or employee to knowingly allow the unlawful
5 possession, use, sale or offer for sale of narcotics, dangerous drugs or
6 marijuana on the premises. For the purposes of this paragraph, "dangerous
7 drug" has the same meaning prescribed in section 13-3401.

8 25. For a licensee or employee to knowingly allow prostitution or
9 the solicitation of prostitution on the premises.

10 26. For a licensee or employee to knowingly allow unlawful gambling
11 on the premises.

12 27. For a licensee or employee to knowingly allow trafficking or
13 attempted trafficking in stolen property on the premises.

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

17 29. For any person other than a peace officer while on duty or off
18 duty or a member of a sheriff's volunteer posse while on duty who has
19 received firearms training that is approved by the Arizona peace officer
20 standards and training board, a retired peace officer as defined in
21 section 38-1113 or an honorably retired law enforcement officer who has
22 been issued a certificate of firearms proficiency pursuant to section
23 13-3112, subsection T, the licensee or an employee of the licensee acting
24 with the permission of the licensee to be in possession of a firearm while
25 on the licensed premises of an on-sale retailer. This paragraph does not
26 include a situation in which a person is on licensed premises for a
27 limited time in order to seek emergency aid and such person does not buy,
28 receive, consume or possess spirituous liquor. This paragraph does not
29 apply to:

30 (a) Hotel or motel guest room accommodations.

31 (b) Exhibiting or displaying a firearm in conjunction with a
32 meeting, show, class or similar event.

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

36 30. For a licensee or employee to knowingly allow a person in
37 possession of a firearm other than a peace officer while on duty or off
38 duty or a member of a sheriff's volunteer posse while on duty who has
39 received firearms training that is approved by the Arizona peace officer
40 standards and training board, a retired peace officer as defined in
41 section 38-1113 or an honorably retired law enforcement officer who has
42 been issued a certificate of firearms proficiency pursuant to section
43 13-3112, subsection T, the licensee or an employee of the licensee acting
44 with the permission of the licensee to remain on the licensed premises or
45 to serve, sell or furnish spirituous liquor to a person in possession of a

1 firearm while on the licensed premises of an on-sale retailer. It is a
2 defense to action under this paragraph if the licensee or employee
3 requested assistance of a peace officer to remove such person. This
4 paragraph does not apply to:

5 (a) Hotel or motel guest room accommodations.

6 (b) Exhibiting or displaying a firearm in conjunction with a
7 meeting, show, class or similar event.

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

11 31. For any person in possession of a firearm while on the licensed
12 premises of an on-sale retailer to consume spirituous liquor OR ADULT HEMP
13 BEVERAGES. This paragraph does not prohibit the consumption of small
14 amounts of spirituous liquor OR ADULT HEMP BEVERAGES by an undercover
15 peace officer on assignment to investigate the licensed establishment.

16 32. For a licensee or employee to knowingly allow spirituous liquor
17 OR ADULT HEMP BEVERAGES to be removed from the licensed premises, except
18 in the original unbroken package. This paragraph does not apply to any of
19 the following:

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

24 (b) A person who is in licensed premises that have noncontiguous
25 portions that are separated by a public or private walkway or driveway and
26 who takes spirituous liquor OR ADULT HEMP BEVERAGES from one portion of
27 the licensed premises across the public or private walkway or driveway
28 directly to the other portion of the licensed premises.

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

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

37 (ii) The container is sealed and displays a government warning
38 label.

39 (d) A bar or liquor store licensee that prepares a mixed cocktail
40 or a restaurant licensee that leases the privilege to sell mixed cocktails
41 for consumption off the licensed premises pursuant to section 4-203.06 or
42 holds a permit pursuant to section 4-203.07 and section 4-205.02,
43 subsection K and that prepares a mixed cocktail and transfers it to a
44 clean container composed of a material approved by a national sanitation
45 organization with a maximum capacity that does not exceed thirty-two

1 ounces and not for consumption on the premises if all of the following
2 apply:

3 (i) The licensee or licensee's employee fills the container with
4 the mixed cocktail on the licensed premises of the bar, liquor store or
5 restaurant.

6 (ii) The container is tamperproof sealed by the licensee or the
7 licensee's employee and displays a government warning label.

8 (iii) The container clearly displays the bar's, liquor store's or
9 restaurant's logo or name.

10 (iv) For a restaurant licensee licensed pursuant to section
11 4-205.02, the sale of mixed cocktails for consumption off the licensed
12 premises is accompanied by the sale of menu food items for consumption on
13 or off the licensed premises.

14 33. For a person who is obviously intoxicated to buy or attempt to
15 buy spirituous liquor OR ADULT HEMP BEVERAGES from a licensee or employee
16 of a licensee or to consume spirituous liquor OR ADULT HEMP BEVERAGES on
17 licensed premises.

18 34. For a person who is under twenty-one years of age to drive or
19 be in physical control of a motor vehicle while there is any spirituous
20 liquor OR ADULT HEMP BEVERAGES in the person's body.

21 35. For a person who is under twenty-one years of age to operate or
22 be in physical control of a motorized watercraft that is underway while
23 there is any spirituous liquor OR ADULT HEMP BEVERAGES in the person's
24 body. For the purposes of this paragraph, "underway" has the same meaning
25 prescribed in section 5-301.

26 36. For a licensee, manager, employee or controlling person to
27 purposely induce a voter, by means of alcohol OR ADULT HEMP BEVERAGES, to
28 vote or abstain from voting for or against a particular candidate or issue
29 on an election day.

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

32 38. For a licensee to use a vending machine for the purpose of
33 dispensing spirituous liquor OR ADULT HEMP BEVERAGES.

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

38 40. For a retailer to knowingly allow a customer to bring
39 spirituous liquor OR ADULT HEMP BEVERAGES onto the licensed premises,
40 except that an on-sale retailer may allow a wine and food club to bring
41 wine onto the premises for consumption by the club's members and guests of
42 the club's members in conjunction with meals purchased at a meeting of the
43 club that is conducted on the premises and that at least seven members
44 attend. An on-sale retailer that allows wine and food clubs to bring wine
45 onto its premises under this paragraph shall comply with all applicable

1 provisions of this title and any rules adopted pursuant to this title to
2 the same extent as if the on-sale retailer had sold the wine to the
3 members of the club and their guests. For the purposes of this paragraph,
4 "wine and food club" means an association that has more than twenty bona
5 fide members paying at least \$6 per year in dues and that has been in
6 existence for at least one year.

7 41. For a person who is under twenty-one years of age to have in
8 the person's body any spirituous liquor OR ADULT HEMP BEVERAGES. In a
9 prosecution for a violation of this paragraph:

10 (a) Pursuant to section 4-249, it is a defense that the spirituous
11 liquor was consumed in connection with the bona fide practice of a
12 religious belief or as an integral part of a religious exercise and in a
13 manner not dangerous to public health or safety.

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

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

19 (a) Allow a person who is under twenty-one years of age to enter
20 any portion of the premises where that person is prohibited from entering
21 pursuant to paragraph 22 of this section.

22 (b) Sell, furnish, dispose of or give spirituous liquor OR ADULT
23 HEMP BEVERAGES to a person who is under twenty-one years of age.

24 43. For a person to purchase, offer for sale or use any device,
25 machine or process that mixes spirituous liquor OR ADULT HEMP BEVERAGES
26 with pure oxygen or another gas to produce a vaporized product for the
27 purpose of consumption by inhalation or to allow patrons to use any item
28 for the consumption of vaporized spirituous liquor OR ADULT HEMP
29 BEVERAGES.

30 44. For a retail licensee or an employee of a retail licensee to
31 sell spirituous liquor OR ADULT HEMP BEVERAGES to a person if the retail
32 licensee or employee knows the person intends to resell the spirituous
33 liquor OR ADULT HEMP BEVERAGES.

34 45. Except as authorized by paragraph 32, subdivision (c) of this
35 section, for a person to reuse a bottle or other container authorized for
36 use by the laws of the United States or any agency of the United States
37 for the packaging of distilled spirits or for a person to increase the
38 original contents or a portion of the original contents remaining in a
39 liquor bottle or other authorized container by adding any substance.

40 46. For a direct shipment licensee, a farm winery licensee or an
41 employee of those licensees to sell, dispose of, deliver or give
42 spirituous liquor OR ADULT HEMP BEVERAGES to an individual purchaser
43 between the hours of 2:00 a.m. and 6:00 a.m., except that a direct
44 shipment licensee or a farm winery licensee may receive and process
45 orders, accept payment, package, load or otherwise prepare wine for

1 delivery at any time without complying with section 4-241, subsections A
2 and K, if the actual deliveries to individual purchasers are made between
3 the hours of 6:00 a.m. and 2:00 a.m. and in accordance with section
4 4-203.04 for direct shipment licensees and section 4-205.04 for farm
5 winery licensees.

6 47. For a supplier to coerce or attempt to coerce a wholesaler to
7 accept delivery of beer, ADULT HEMP BEVERAGES or any other commodity that
8 has not been ordered by the wholesaler or for which the order was
9 canceled. A supplier may impose reasonable inventory requirements on a
10 wholesaler if the requirements are made in good faith and are generally
11 applied to other similarly situated wholesalers that have an agreement
12 with the supplier.

13 Sec. 47. Section 4-244.02, Arizona Revised Statutes, is amended to
14 read:

15 4-244.02. Unlawful importation of spirituous liquor or adult
16 hemp beverages; exceptions

17 A. It is unlawful for any person, ~~THAT IS~~ not a qualified licensee
18 under this title, ~~to~~ to import spirituous liquors OR ADULT HEMP BEVERAGES
19 into this state from a foreign country unless:

20 1. Such person is the legal drinking age.

21 2. Such person has been physically within such foreign country
22 immediately prior to such importation and such importation coincides with
23 his return from such foreign country.

24 3. Except as provided in subsection B, the amount of spirituous
25 liquor OR ADULT HEMP BEVERAGES imported does not exceed the amount
26 permitted by federal law to be imported duty-free, in any period of
27 thirty-one days, except that if the federal law prescribing such duty-free
28 limitation is repealed or amended, then in no event shall the amount of
29 duty-free importation into this state be more than one liter of spirituous
30 liquor OR FORTY-EIGHT OUNCES OF ADULT HEMP BEVERAGES during such period.

31 B. To the extent permitted by federal law, a member of the Arizona
32 national guard, the United States armed forces reserves or the armed
33 forces of the United States may import more than one liter of spirituous
34 liquor OR FORTY-EIGHT OUNCES OF ADULT HEMP BEVERAGES for personal use into
35 this state if the importation coincides with that person's return from a
36 tour of duty in a foreign country. A person who imports more spirituous
37 liquor OR ADULT HEMP BEVERAGES pursuant to this subsection than the amount
38 permitted by federal law to be imported duty-free shall be responsible for
39 the payment of any federal taxes due on the quantity of spirituous liquor
40 OR ADULT HEMP BEVERAGES that exceeds the duty-free amount. The department
41 may issue letters of exemption to allow military personnel to import
42 spirituous liquor OR ADULT HEMP BEVERAGES pursuant to this subsection.

1 Sec. 48. Section 4-244.05, Arizona Revised Statutes, is amended to
2 read:

3 4-244.05. Unlicensed business establishment or premises;
4 unlawful consumption of spirituous liquor or
5 adult hemp beverages; civil penalty; seizure and
6 forfeiture of property

7 A. A person owning, operating, leasing, managing or controlling a
8 business establishment or business premises ~~which~~ THAT are not properly
9 licensed pursuant to this title and in which any of the following ~~occur~~
10 OCCURS shall not allow the consumption of spirituous liquor OR ADULT HEMP
11 BEVERAGES in the establishment or on the premises:

- 12 1. Food or beverages are sold.
- 13 2. Entertainment is provided.
- 14 3. A membership fee or a cover charge for admission is charged.
- 15 4. A minimum purchase or rental requirement for goods or services
16 is charged.

17 B. A person shall not consume spirituous liquor OR ADULT HEMP
18 BEVERAGES in a business establishment or on business premises ~~which~~ THAT
19 are not properly licensed pursuant to this title in which food or
20 beverages are sold, entertainment is provided, a membership fee or a cover
21 charge for admission is charged or a minimum purchase or rental
22 requirement for goods or services is charged.

23 C. In addition to or in lieu of other fines or civil penalties
24 imposed for a violation of this section or any other action taken by the
25 board or director, the board or director may conduct a hearing subject to
26 the requirements of section 4-210, subsection G to determine whether a
27 person has violated subsection A of this section. If the board or
28 director determines, after a hearing, that a person has violated
29 subsection A of this section the board or director may impose a civil
30 penalty of not less than ~~two hundred nor~~ \$200 OR more than ~~five thousand~~
31 ~~dollars~~ \$5,000 for each offense. A civil penalty imposed pursuant to this
32 section by the director may be appealed to the board.

33 D. In addition to any other remedies provided by law, any monies
34 used or obtained in violation of this chapter may be seized by any peace
35 officer if the peace officer has probable cause to believe that the money
36 has been used or is intended to be used in violation of this section.

37 E. In addition to any other remedies provided by law, the records
38 of an establishment that is in violation of this section may be seized by
39 any peace officer if the peace officer has probable cause to believe that
40 the establishment is operating without a valid license issued pursuant to
41 this title.

42 F. In addition to any other remedies provided by law, any amount of
43 alcohol OR ADULT HEMP BEVERAGES may be seized by any peace officer if the
44 peace officer has probable cause to believe that the alcohol OR ADULT HEMP

1 BEVERAGES is being used or is intended to be used in violation of this
2 section.

3 G. In addition to any other remedies provided by law, the following
4 property shall be forfeited pursuant to section 13-2314 or title 13,
5 chapter 39:

6 1. All proceeds and other assets that are derived from a violation
7 of this section.

8 2. Anything of value that is used or intended to be used to
9 facilitate a violation of this section.

10 H. A person who obtains property through a violation of this
11 section is deemed to be an involuntary trustee of that property. An
12 involuntary trustee and any other person who obtains the property, except
13 a bona fide purchaser who purchases the property for value without notice
14 of or participation in the unlawful conduct, holds the property, including
15 its proceeds and other assets, in constructive trust for the benefit of
16 the persons entitled to remedies pursuant to section 13-2314 or title 13,
17 chapter 39.

18 I. The board or director may adopt rules authorizing and
19 prescribing limitations for the possession or consumption of spirituous
20 liquor OR ADULT HEMP BEVERAGES at establishments or premises falling
21 within the scope of subsections A and B of this section. Rules adopted
22 pursuant to this subsection shall authorize the possession or consumption
23 of spirituous liquor OR ADULT HEMP BEVERAGES only at establishments or
24 premises ~~which permit~~ THAT ALLOW the consumption or possession of minimal
25 amounts of spirituous liquor OR ADULT HEMP BEVERAGES and ~~which~~ THAT meet
26 both of the following criteria:

27 1. The possession or consumption of spirituous liquor OR ADULT HEMP
28 BEVERAGES is ~~permitted~~ ALLOWED only as an incidental convenience to the
29 customers of the establishment or premises.

30 2. The possession or consumption of spirituous liquor OR ADULT HEMP
31 BEVERAGES is ~~permitted~~ ALLOWED only within the hours of lawful sale as
32 prescribed in this title, and is limited to ~~no~~ NOT more than ten hours per
33 day.

34 J. Any rules adopted pursuant to subsection I of this section shall
35 prescribe:

36 1. The maximum ~~permitted~~ ALLOWED occupancy of an establishment or
37 premises.

38 2. The hours during which spirituous liquor OR ADULT HEMP BEVERAGES
39 may be possessed or consumed.

40 3. The amount of spirituous liquor OR ADULT HEMP BEVERAGES that a
41 person may possess or consume.

42 4. That the director, the director's agents and any peace officer
43 empowered to enforce ~~the provisions of~~ this title, in enforcing ~~the~~
44 ~~provisions of~~ this title, may visit and inspect the establishment or
45 premises during the business hours of the premises or establishment. The

1 director may charge a fee for the inspection of unlicensed premises to
2 review an application for exemption pursuant to this section.

3 K. Any rules adopted pursuant to subsection I of this section may
4 prescribe separate classifications of establishments or premises at which
5 spirituous liquor OR ADULT HEMP BEVERAGES may be possessed or consumed and
6 may establish any other provisions relating to the possession or
7 consumption of spirituous liquor OR ADULT HEMP BEVERAGES at establishments
8 or premises falling within the scope of subsections A and B of this
9 section ~~which~~ THAT are necessary to maintain the health and welfare of the
10 community.

11 L. This section does not apply to establishments or premises that
12 are not licensed pursuant to this title and on which occurs the
13 consumption of spirituous liquor OR ADULT HEMP BEVERAGES if the
14 establishment or premises are owned, operated, leased, managed or
15 controlled by the United States, this state or a city or county of this
16 state.

17 Sec. 49. Title 4, chapter 2, article 3, Arizona Revised Statutes,
18 is amended by adding section 4-245, to read:

19 4-245. Adult hemp beverages: serving sizes: container:
20 prohibitions

21 A. AN ADULT HEMP BEVERAGE CONTAINING A SINGLE SERVING OF AN ADULT
22 HEMP BEVERAGE PER CONTAINER SHALL BE IN AN ADULT HEMP BEVERAGE
23 SINGLE-SERVING CONTAINER. THE CONTAINER SHALL HAVE AN INTERNAL VOLUME OF
24 AT LEAST TWO HUNDRED MILLILITERS OR 6.76 FLUID OUNCES AND MAY NOT HAVE A
25 TOTAL TETRAHYDROCANNABINOL CONTENT OF MORE THAN TEN MILLIGRAMS OF TOTAL
26 TETRAHYDROCANNABINOL PER CONTAINER FOR SALE IN OFF-PREMISES LICENSED
27 RETAIL ESTABLISHMENTS OR MORE THAN FIVE MILLIGRAMS OF TOTAL
28 TETRAHYDROCANNABINOL PER CONTAINER FOR SALE IN ON-PREMISES LICENSED RETAIL
29 ESTABLISHMENTS.

30 B. AN ADULT HEMP BEVERAGE CONTAINING MULTIPLE SERVINGS OF AN ADULT
31 HEMP BEVERAGE PER CONTAINER SHALL BE IN AN ADULT HEMP BEVERAGES
32 MULTIPLE-SERVING CONTAINER. THE MULTIPLE-SERVING CONTAINER SHALL HAVE AN
33 INTERNAL VOLUME OF AT LEAST THREE HUNDRED SEVENTY FIVE MILLILITERS OR
34 12.68 FLUID OUNCES AND MAY NOT HAVE A TETRAHYDROCANNABINOL CONTENT OF MORE
35 THAN THIRTY MILLIGRAMS PER LITER OR 0.887 MILLIGRAMS PER FLUID OUNCES OF
36 THE TOTAL VOLUME OF THE CONTAINER.

37 C. A PERSON MAY NOT PROCESS, DISTRIBUTE, SELL OR OFFER FOR SALE IN
38 THIS STATE ANY ADULT HEMP BEVERAGES PRODUCT WITHOUT A LICENSE ISSUED
39 PURSUANT TO THIS TITLE.

40 D. A PERSON MAY NOT PROCESS, DISTRIBUTE, SELL OR OFFER FOR SALE IN
41 THIS STATE ANY ADULT HEMP BEVERAGE PRODUCT IN POWDERED FORM OR AS A
42 CONCENTRATED TINCTURE FOR MIXING WITH WATER OR OTHER LIQUID.

43 E. A PERSON MAY NOT PROCESS, DISTRIBUTE, SELL OR OFFER FOR SALE IN
44 THIS STATE ANY SPIRITUOUS LIQUOR PRODUCT CONTAINING ANY ADULT HEMP
45 BEVERAGE OR CANNABINOID. THE COMBINING OF SPIRITUOUS LIQUORS AND ADULT

1 HEMP BEVERAGES OR CANNABINOIDS BY A LICENSEE OR AN EMPLOYEE OF A LICENSEE
2 IS PROHIBITED.

3 F. A PRODUCER MAY NOT USE ANY DISTILLATE OR CONCENTRATE CONTAINING
4 ANY DERIVATIVE OF A TETRAHYDROCANNABINOL COMPONENT THAT IS NOT
5 HEMP-DERIVED TETRAHYDROCANNABINOL.

6 Sec. 50. Section 4-250.01, Arizona Revised Statutes, is amended to
7 read:

8 4-250.01. Out-of-state person engaged in business as
9 producer, exporter, importer, rectifier, retailer
10 or wholesaler; violation: cease and desist order;
11 civil penalty

12 A. An out-of-state person engaged in business in this state as a
13 producer, exporter, importer, rectifier, retailer or wholesaler OF
14 SPIRITUOUS LIQUOR OR ADULT HEMP BEVERAGES without a license issued under
15 this title shall comply with this title as if licensed by this state. An
16 out-of-state person engaged in business in this state as a producer,
17 exporter, importer, rectifier, retailer or wholesaler shall be deemed to
18 have consented to the jurisdiction of the department, any other agency of
19 this state, the courts of this state and all other related laws, rules or
20 regulations. An out-of-state person engaged in business in this state as
21 a producer, exporter, importer, rectifier, retailer or wholesaler OF
22 SPIRITUOUS LIQUOR OR ADULT HEMP BEVERAGES who violates this title is
23 subject to a fine or a civil penalty and suspension or revocation of the
24 right to do business in this state.

25 B. If the director has reasonable cause to believe that an
26 out-of-state person engaged in business as a producer, exporter, importer,
27 rectifier, retailer or wholesaler OF SPIRITUOUS LIQUOR OR ADULT HEMP
28 BEVERAGES is acting in violation of this title, the director may serve a
29 cease and desist order requiring the person to cease and desist the
30 violation.

31 C. If an out-of-state person who is engaged in business in this
32 state as a producer, exporter, importer, rectifier, retailer or wholesaler
33 OF SPIRITUOUS LIQUOR OR ADULT HEMP BEVERAGES knowingly violates a cease
34 and desist order issued by the director pursuant to subsection B of this
35 section, the director may:

36 1. Impose a civil penalty of up to ~~one hundred fifty thousand~~
37 ~~dollars~~ \$150,000 for each violation.

38 2. Notify the department of revenue of the violation for the
39 purposes of collection of any transaction privilege tax or luxury
40 privilege tax due.

41 3. Notify the applicable agency or regulatory body in the state in
42 which the person is licensed of the violation.

43 4. Give notice of the violation to the producers, exporters,
44 importers, rectifiers, retailers, wholesalers, common carriers and
45 consumers connected to the transaction if the out-of-state person has

1 shipped liquor OR ADULT HEMP BEVERAGES into the state in violation of this
2 title.

3 Sec. 51. Section 4-251, Arizona Revised Statutes, is amended to
4 read:

5 4-251. Spirituous liquor or adult hemp beverages in motor
6 vehicles; prohibitions; violation; classification;
7 exceptions; definitions

8 A. It is unlawful for any person to:

9 1. Consume spirituous liquor OR ADULT HEMP BEVERAGES while
10 operating or while within the passenger compartment of a motor vehicle
11 that is located on any public highway or right-of-way of a public highway
12 in this state.

13 2. Possess an open container of spirituous liquor OR ADULT HEMP
14 BEVERAGES within the passenger compartment of a motor vehicle that is
15 located on any public highway or right-of-way of a public highway in this
16 state.

17 B. A person who violates subsection A of this section is guilty of
18 a class 2 misdemeanor.

19 C. This section does not apply to:

20 1. A passenger in any bus, limousine, taxi or transportation
21 network company vehicle as defined in section 28-9551 while the vehicle is
22 being used to provide transportation network services as defined in
23 section 28-9551.

24 2. A passenger in the living quarters of a motor home as defined in
25 section 28-4301.

26 D. For the purposes of this section:

27 1. "Motor vehicle":

28 (a) Means a self-propelled vehicle.

29 (b) Does not include a vehicle operated exclusively on rails or
30 water.

31 2. "Open container" means any bottle, can, jar, container dispensed
32 pursuant to section 4-244, paragraph 32, subdivision (c) or other
33 receptacle that contains spirituous liquor OR ADULT HEMP BEVERAGES and
34 that has been opened, has had its seal broken or the contents of which
35 have been partially removed.

36 3. "Passenger compartment" means the area of a motor vehicle
37 designed for the seating of the driver and other passengers of the
38 vehicle. Passenger compartment includes an unlocked glove compartment and
39 any unlocked portable devices within the immediate reach of the driver or
40 any passengers. Passenger compartment does not include the trunk, a
41 locked glove compartment or the area behind the last upright seat of a
42 motor vehicle that is not equipped with a trunk.

43 4. "Public highway or right-of-way of a public highway" means the
44 entire width between and immediately adjacent to the boundary lines of
45 every way maintained by the federal government, this state or a county,

city or town if any part of the way is generally open to the use of the public for purposes of vehicular travel.

Sec. 52. Heading change

The heading of title 4, chapter 2, article 4, Arizona Revised Statutes, is changed from "WARNING SIGNS" to "SIGNS".

Sec. 53. Section 4-301, Arizona Revised Statutes, is amended to read:

4-301. Liability limitation; social host

A person other than a licensee or an employee of a licensee acting during the employee's working hours or in connection with such employment is not liable in damages to any person who is injured, or to the survivors of any person killed, or for damage to property, which is alleged to have been caused in whole or in part by reason of the furnishing or serving of spirituous liquor OR ADULT HEMP BEVERAGES to a person of AT LEAST the legal drinking age.

Sec. 54. Section 4-302, Arizona Revised Statutes, is amended to read:

4-302. Notice of litigation

A. A person filing a claim for relief seeking damages from a licensee and alleging that a person was injured or damage occurred which was caused in whole or in part by reason of the furnishing or serving of spirituous liquor OR ADULT HEMP BEVERAGES by the licensee or an employee of the licensee to any person shall file a copy of the complaint with the department within ten days after filing the complaint.

B. A licensee who has been served with a complaint alleging the provisions of subsection A shall file a copy of the complaint with the department within ten days after the service.

C. A licensee or controlling person who files a petition in bankruptcy shall file notice of the petition with the department within ten days after the filing or entry and shall advise the department within ten days of a dismissal or discharge by any means.

D. A licensee or controlling person who files a bankruptcy dismissal or discharge shall file notice of the dismissal or discharge with the department within ten days after the filing.

Sec. 55. Section 4-311, Arizona Revised Statutes, is amended to read:

4-311. Liability for serving intoxicated person or minor; definition

A. A licensee is liable for property damage and personal injuries or is liable to a person who may bring an action for wrongful death pursuant to section 12-612, or both, if a court or jury finds all of the following:

1. The licensee sold spirituous liquor OR ADULT HEMP BEVERAGES either to a purchaser who was obviously intoxicated, or to a purchaser under the legal drinking age without requesting identification containing

1 proof of age or with knowledge that the person was under the legal
2 drinking age.

3 2. The purchaser consumed the spirituous liquor OR ADULT HEMP
4 BEVERAGES sold by the licensee.

5 3. The consumption of spirituous liquor OR ADULT HEMP BEVERAGES was
6 a proximate cause of the injury, death or property damage.

7 B. No licensee is chargeable with knowledge of previous acts by
8 which a person becomes intoxicated at other locations unknown to the
9 licensee unless the person was obviously intoxicated. If the licensee
10 operates under a restaurant license, the finder of fact shall not consider
11 any information obtained as a result of a restaurant audit conducted
12 pursuant to section 4-213 unless the court finds the information relevant.

13 C. For the purposes of subsection A, paragraph 2 of this section,
14 if it is found that an underage person purchased spirituous liquor OR
15 ADULT HEMP BEVERAGES from a licensee and such underage person incurs or
16 causes injuries or property damage as a result of the consumption of
17 spirituous liquor OR ADULT HEMP BEVERAGES within a reasonable period of
18 time following the sale of the spirituous liquor OR ADULT HEMP BEVERAGES,
19 it shall create a rebuttable presumption that the underage person consumed
20 the spirituous liquor OR ADULT HEMP BEVERAGES sold to such person by the
21 licensee.

22 D. For the purposes of this section, "obviously intoxicated" means
23 inebriated to such an extent that a person's physical faculties are
24 substantially impaired and the impairment is shown by significantly
25 uncoordinated physical action or significant physical dysfunction that
26 would have been obvious to a reasonable person.

27 Sec. 56. Section 4-312, Arizona Revised Statutes, is amended to
28 read:

29 4-312. Liability limitation

30 A. A licensee is not liable in damages to any consumer or purchaser
31 of spirituous liquor OR ADULT HEMP BEVERAGES over the legal drinking age
32 who is injured or whose property is damaged, or to survivors of such a
33 person, if the injury or damage is alleged to have been caused in whole or
34 in part by reason of the sale, furnishing or serving of spirituous liquor
35 OR ADULT HEMP BEVERAGES to that person. A licensee is not liable in
36 damages to any other adult person who is injured or whose property is
37 damaged, or to the survivors of such a person, who was present with the
38 person who consumed the spirituous liquor OR ADULT HEMP BEVERAGES at the
39 time the spirituous liquor ~~was~~ OR ADULT HEMP BEVERAGES WERE consumed and
40 who knew of the impaired condition of the person, if the injury or damage
41 is alleged to have been caused in whole or in part by reason of the sale,
42 furnishing or serving of spirituous liquor OR ADULT HEMP BEVERAGES.

43 B. Subject to ~~the provisions of~~ subsection A of this section and
44 except as provided in section 4-311, a person, firm, corporation or
45 licensee is not liable in damages to any person who is injured, or to the

1 survivors of any person killed, or for damage to property ~~which~~ THAT is
2 alleged to have been caused in whole or in part by reason of the sale,
3 furnishing or serving of spirituous liquor OR ADULT HEMP BEVERAGES.

4 Sec. 57. Section 36-136, Arizona Revised Statutes, is amended to
5 read:

6 36-136. Powers and duties of director; compensation of
7 personnel; rules; definitions

8 A. The director shall:

9 1. Be the executive officer of the department of health services
10 and the state registrar of vital statistics but shall not receive
11 compensation for services as registrar.

12 2. Perform all duties necessary to carry out the functions and
13 responsibilities of the department.

14 3. Prescribe the organization of the department. The director
15 shall appoint or remove personnel as necessary for the efficient work of
16 the department and shall prescribe the duties of all personnel. The
17 director may abolish any office or position in the department that the
18 director believes is unnecessary.

19 4. Administer and enforce the laws relating to health and
20 sanitation and the rules of the department.

21 5. Provide for the examination of any premises if the director has
22 reasonable cause to believe that on the premises there exists a violation
23 of any health law or rule of this state.

24 6. Exercise general supervision over all matters relating to
25 sanitation and health throughout this state. When in the opinion of the
26 director it is necessary or advisable, a sanitary survey of the whole or
27 of any part of this state shall be made. The director may enter, examine
28 and survey any source and means of water supply, sewage disposal plant,
29 sewerage system, prison, public or private place of detention, asylum,
30 hospital, school, public building, private institution, factory, workshop,
31 tenement, public washroom, public restroom, public toilet and toilet
32 facility, public eating room and restaurant, dairy, milk plant or food
33 manufacturing or processing plant, and any premises in which the director
34 has reason to believe there exists a violation of any health law or rule
35 of this state that the director has the duty to administer.

36 7. Prepare sanitary and public health rules.

37 8. Perform other duties prescribed by law.

38 B. If the director has reasonable cause to believe that there
39 exists a violation of any health law or rule of this state, the director
40 may inspect any person or property in transportation through this state,
41 and any car, boat, train, trailer, airplane or other vehicle in which that
42 person or property is transported, and may enforce detention or
43 disinfection as reasonably necessary for the public health if there exists
44 a violation of any health law or rule.

1 C. The director, after consultation with the department of
2 administration, may take all necessary steps to enhance the highest and
3 best use of the state hospital property, including contracting with third
4 parties to provide services, entering into short-term lease agreements
5 with third parties to occupy or renovate existing buildings and entering
6 into long-term lease agreements to develop the land and buildings. The
7 director shall deposit any monies collected from contracts and lease
8 agreements entered into pursuant to this subsection in the Arizona state
9 hospital charitable trust fund established by section 36-218. At least
10 thirty days before issuing a request for proposals pursuant to this
11 subsection, the department of health services shall hold a public hearing
12 to receive community and provider input regarding the highest and best use
13 of the state hospital property related to the request for proposals. The
14 department shall report to the joint committee on capital review on the
15 terms, conditions and purpose of any lease or sublease agreement entered
16 into pursuant to this subsection relating to state hospital lands or
17 buildings or the disposition of real property pursuant to this subsection,
18 including state hospital lands or buildings, and the fiscal impact on the
19 department and any revenues generated by the agreement. Any lease or
20 sublease agreement entered into pursuant to this subsection relating to
21 state hospital lands or buildings or the disposition of real property
22 pursuant to this subsection, including state hospital lands or buildings,
23 must be reviewed by the joint committee on capital review.

24 D. The director may deputize, in writing, any qualified officer or
25 employee in the department to do or perform on the director's behalf any
26 act the director is by law empowered to do or charged with the
27 responsibility of doing.

28 E. The director may delegate to a local health department, county
29 environmental department or public health services district any functions,
30 powers or duties that the director believes can be competently,
31 efficiently and properly performed by the local health department, county
32 environmental department or public health services district if:

33 1. The director or superintendent of the local health department,
34 environmental department or public health services district is willing to
35 accept the delegation and agrees to perform or exercise the functions,
36 powers and duties conferred in accordance with the standards of
37 performance established by the director of the department of health
38 services.

39 2. Monies appropriated or otherwise made available to the
40 department for distribution to or division among counties or public health
41 services districts for local health work may be allocated or reallocated
42 in a manner designed to ensure the accomplishment of recognized local
43 public health activities and delegated functions, powers and duties in
44 accordance with applicable standards of performance. If in the director's
45 opinion there is cause, the director may terminate all or a part of any

1 delegation and may reallocate all or a part of any monies that may have
2 been conditioned on the further performance of the functions, powers or
3 duties conferred.

4 F. The compensation of all personnel shall be as determined
5 pursuant to section 38-611.

6 G. The director may make and amend rules necessary for the proper
7 administration and enforcement of the laws relating to the public health.

8 H. Notwithstanding subsection I, paragraph 1 of this section, the
9 director may define and prescribe emergency measures for detecting,
10 reporting, preventing and controlling communicable or infectious diseases
11 or conditions if the director has reasonable cause to believe that a
12 serious threat to public health and welfare exists. Emergency measures are
13 effective for not longer than eighteen months.

14 I. The director, by rule, shall:

15 1. Define and prescribe reasonably necessary measures for
16 detecting, reporting, preventing and controlling communicable and
17 preventable diseases. The rules shall declare certain diseases that are
18 reportable. The rules shall prescribe measures, including isolation or
19 quarantine, that are reasonably required to prevent the occurrence of, or
20 to seek early detection and alleviation of, disability, insofar as
21 possible, from communicable or preventable diseases. The rules shall
22 include reasonably necessary measures to control animal diseases that are
23 transmittable to humans.

24 2. Define and prescribe reasonably necessary measures, in addition
25 to those prescribed by law, regarding the preparation, embalming,
26 cremation, interment, disinterment and transportation of dead human bodies
27 and the conduct of funerals, relating to and restricted to communicable
28 diseases and regarding the removal, transportation, cremation, interment
29 or disinterment of any dead human body.

30 3. Define and prescribe reasonably necessary procedures that are
31 not inconsistent with law in regard to the use and accessibility of vital
32 records, delayed birth registration and the completion, change and
33 amendment of vital records.

34 4. Except as relating to the beneficial use of wildlife meat by
35 public institutions and charitable organizations pursuant to title 17,
36 prescribe reasonably necessary measures to ensure that all food or drink,
37 including meat and meat products and milk and milk products sold at the
38 retail level, provided for human consumption is free from unwholesome,
39 poisonous or other foreign substances and filth, insects or
40 disease-causing organisms. The rules shall prescribe reasonably necessary
41 measures governing the production, processing, labeling, storing,
42 handling, serving and transportation of these products. The rules shall
43 prescribe minimum standards for the sanitary facilities and conditions
44 that shall be maintained in any warehouse, restaurant or other premises,
45 except a meatpacking plant, slaughterhouse, wholesale meat processing

1 plant, dairy product manufacturing plant or trade product manufacturing
2 plant. The rules shall prescribe minimum standards for any truck or other
3 vehicle in which food or drink is produced, processed, stored, handled,
4 served or transported. The rules shall provide for the inspection and
5 licensing of premises and vehicles so used, and for abatement as public
6 nuisances of any premises or vehicles that do not comply with the rules
7 and minimum standards. The rules shall provide an exemption relating to
8 food or drink that is:

9 (a) Served at a noncommercial social event such as a potluck.

10 (b) Prepared at a cooking school that is conducted in an
11 owner-occupied home.

12 (c) Not potentially hazardous and prepared in a kitchen of a
13 private home for sale or distribution for noncommercial purposes.

14 (d) Prepared or served at an employee-conducted function that lasts
15 less than four hours and is not regularly scheduled, such as an employee
16 recognition, an employee fundraising or an employee social event.

17 (e) Offered at a child care facility and limited to commercially
18 prepackaged food that is not potentially hazardous and whole fruits and
19 vegetables that are washed and cut on-site for immediate consumption.

20 (f) Offered at locations that sell only commercially prepackaged
21 food or drink that is not potentially hazardous.

22 (g) A cottage food product that is prepared in a kitchen of a
23 private home for commercial purposes consistent with chapter 8, article 2
24 of this title.

25 (h) A whole fruit or vegetable grown in a public school garden that
26 is washed and cut on-site for immediate consumption.

27 (i) Produce in a packing or holding facility that is subject to the
28 United States food and drug administration produce safety rule (21 Code of
29 Federal Regulations part 112) as administered by the Arizona department of
30 agriculture pursuant to title 3, chapter 3, article 4.1. For the purposes
31 of this subdivision, "holding", "packing" and "produce" have the same
32 meanings prescribed in section 3-525.

33 (j) Spirituous liquor produced ~~on the premises~~ OR ADULT HEMP
34 BEVERAGES MANUFACTURED BY A PRODUCER OR CRAFT PRODUCER OR MANUFACTURED BY
35 AN ADULT HEMP BEVERAGES MANUFACTURER licensed by the department of liquor
36 licenses and control. This exemption includes both of the following:

37 (i) The area in which production and manufacturing of spirituous
38 liquor OR ADULT HEMP BEVERAGES occurs, ~~as defined in an active basic~~
39 ~~permit on file with the United States alcohol and tobacco tax and trade~~
40 ~~bureau.~~

41 (ii) The area licensed by the department of liquor licenses and
42 control as a ~~microbrewery, farm winery or craft distiller~~ PRODUCER, CRAFT
43 PRODUCER OR ADULT HEMP BEVERAGES MANUFACTURER that is open to the public
44 and serves spirituous liquor OR ADULT HEMP BEVERAGES and commercially
45 prepackaged food, crackers or pretzels for consumption on the premises. A

1 producer of spirituous liquor OR ADULT HEMP BEVERAGES may not provide,
2 allow or expose for common use any cup, glass or other receptacle used for
3 drinking purposes. For the purposes of this item, "common use" means the
4 use of a drinking receptacle for drinking purposes by or for more than one
5 person without the receptacle being thoroughly cleansed and sanitized
6 between consecutive uses by methods prescribed by or acceptable to the
7 department.

8 (k) Spirituous liquor produced by a producer that is licensed by
9 the department of liquor licenses and control or spirituous liquor
10 imported and sold by ~~wholesalers~~ A WHOLESALER that is licensed by the
11 department of liquor licenses and control. This exemption includes all
12 commercially prepackaged spirituous liquor and all spirituous liquor
13 poured at a licensed special event, festival or fair in this state.

14 (1) AN ADULT HEMP BEVERAGE OR FOOD OR DRINKS CONTAINING ADULT HEMP
15 BEVERAGE PRODUCTS THAT ARE MANUFACTURED OR SOLD ON PREMISES THAT ARE
16 LICENSED PURSUANT TO TITLE 4.

17 5. Prescribe reasonably necessary measures to ensure that all meat
18 and meat products for human consumption handled at the retail level are
19 delivered in a manner and from sources approved by the Arizona department
20 of agriculture and are free from unwholesome, poisonous or other foreign
21 substances and filth, insects or disease-causing organisms. The rules
22 shall prescribe standards for sanitary facilities to be used in
23 identifying, storing, handling and selling all meat and meat products sold
24 at the retail level.

25 6. Prescribe reasonably necessary measures regarding production,
26 processing, labeling, handling, serving and transportation of bottled
27 water to ensure that all bottled drinking water distributed for human
28 consumption is free from unwholesome, poisonous, deleterious or other
29 foreign substances and filth or disease-causing organisms. The rules
30 shall prescribe minimum standards for the sanitary facilities and
31 conditions that shall be maintained at any source of water, bottling plant
32 and truck or vehicle in which bottled water is produced, processed, stored
33 or transported and shall provide for inspection and certification of
34 bottled drinking water sources, plants, processes and transportation and
35 for abatement as a public nuisance of any water supply, label, premises,
36 equipment, process or vehicle that does not comply with the minimum
37 standards. The rules shall prescribe minimum standards for
38 bacteriological, physical and chemical quality for bottled water and for
39 submitting samples at intervals prescribed in the standards.

40 7. Define and prescribe reasonably necessary measures governing ice
41 production, handling, storing and distribution to ensure that all ice sold
42 or distributed for human consumption or for preserving or storing food for
43 human consumption is free from unwholesome, poisonous, deleterious or
44 other foreign substances and filth or disease-causing organisms. The
45 rules shall prescribe minimum standards for the sanitary facilities and

1 conditions and the quality of ice that shall be maintained at any ice
2 plant, storage and truck or vehicle in which ice is produced, stored,
3 handled or transported and shall provide for inspection and licensing of
4 the premises and vehicles, and for abatement as public nuisances of ice,
5 premises, equipment, processes or vehicles that do not comply with the
6 minimum standards.

7 8. Define and prescribe reasonably necessary measures concerning
8 sewage and excreta disposal, garbage and trash collection, storage and
9 disposal, and water supply for recreational and summer camps, campgrounds,
10 motels, tourist courts, trailer coach parks and hotels. The rules shall
11 prescribe minimum standards for preparing food in community kitchens,
12 adequacy of excreta disposal, garbage and trash collection, storage and
13 disposal and water supply for recreational and summer camps, campgrounds,
14 motels, tourist courts, trailer coach parks and hotels and shall provide
15 for inspection of these premises and for abatement as public nuisances of
16 any premises or facilities that do not comply with the rules. Primitive
17 camp and picnic grounds offered by this state or a political subdivision
18 of this state are exempt from rules adopted pursuant to this paragraph but
19 are subject to approval by a county health department under sanitary
20 regulations adopted pursuant to section 36-183.02. Rules adopted pursuant
21 to this paragraph do not apply to two or fewer recreational vehicles as
22 defined in section 33-2102 that are not park models or park trailers, that
23 are parked on owner-occupied residential property for less than sixty days
24 and for which no rent or other compensation is paid. For the purposes of
25 this paragraph, "primitive camp and picnic grounds" means camp and picnic
26 grounds that are remote in nature and without accessibility to public
27 infrastructure such as water, electricity and sewer.

28 9. Define and prescribe reasonably necessary measures concerning
29 the sewage and excreta disposal, garbage and trash collection, storage and
30 disposal, water supply and food preparation of all public schools. The
31 rules shall prescribe minimum standards for sanitary conditions that shall
32 be maintained in any public school and shall provide for inspection of
33 these premises and facilities and for abatement as public nuisances of any
34 premises that do not comply with the minimum standards.

35 10. Prescribe reasonably necessary measures to prevent pollution of
36 water used in public or semipublic swimming pools and bathing places and
37 to prevent deleterious health conditions at these places. The rules shall
38 prescribe minimum standards for sanitary conditions that shall be
39 maintained at any public or semipublic swimming pool or bathing place and
40 shall provide for inspection of these premises and for abatement as public
41 nuisances of any premises and facilities that do not comply with the
42 minimum standards. The rules shall be developed in cooperation with the
43 director of the department of environmental quality and shall be
44 consistent with the rules adopted by the director of the department of

1 environmental quality pursuant to section 49-104, subsection B,
2 paragraph 12.

3 11. Prescribe reasonably necessary measures to keep confidential
4 information relating to diagnostic findings and treatment of patients, as
5 well as information relating to contacts, suspects and associates of
6 communicable disease patients. Confidential information may not be made
7 available for political or commercial purposes.

8 12. Prescribe reasonably necessary measures regarding human
9 immunodeficiency virus testing as a means to control the transmission of
10 that virus, including the designation of anonymous test sites as dictated
11 by current epidemiologic and scientific evidence.

12 13. Establish an online registry of food preparers that are
13 authorized to prepare cottage food products for commercial purposes
14 pursuant to paragraph 4 of this subsection and chapter 8, article 2 of
15 this title. A registered food preparer shall renew the registration every
16 three years and shall provide to the department updated registration
17 information within thirty days after any change.

18 14. Prescribe an exclusion for fetal demise cases from the
19 standardized survey known as "the hospital consumer assessment of
20 healthcare providers and systems".

21 J. The rules adopted under the authority conferred by this section
22 shall be observed throughout this state and shall be enforced by each
23 local board of health or public health services district, but this section
24 does not limit the right of any local board of health or county board of
25 supervisors to adopt ordinances and rules as authorized by law within its
26 jurisdiction if the ordinances and rules do not conflict with state law
27 and are equal to or more restrictive than the rules of the director.

28 K. The powers and duties prescribed by this section do not apply in
29 instances in which regulatory powers and duties relating to public health
30 are vested by the legislature in any other state board, commission, agency
31 or instrumentality, except that with regard to the regulation of meat and
32 meat products, the department of health services and the Arizona
33 department of agriculture within the area delegated to each shall adopt
34 rules that are not in conflict.

35 L. The director, in establishing fees authorized by this section,
36 shall comply with title 41, chapter 6. The department shall not set a fee
37 at more than the department's cost of providing the service for which the
38 fee is charged. State agencies are exempt from all fees imposed pursuant
39 to this section.

40 M. After consultation with the state superintendent of public
41 instruction, the director shall prescribe the criteria the department
42 shall use in deciding whether or not to notify a local school district
43 that a pupil in the district has tested positive for the human
44 immunodeficiency virus antibody. The director shall prescribe the
45 procedure by which the department shall notify a school district if,

1 pursuant to these criteria, the department determines that notification is
2 warranted in a particular situation. This procedure shall include a
3 requirement that before notification the department shall determine to its
4 satisfaction that the district has an appropriate policy relating to
5 nondiscrimination of the infected pupil and confidentiality of test
6 results and that proper educational counseling has been or will be
7 provided to staff and pupils.

8 N. Until the department adopts exemptions by rule as required by
9 subsection I, paragraph 4, subdivision (f) of this section, food and drink
10 are exempt from the rules prescribed in subsection I of this section if
11 offered at locations that sell only commercially prepackaged food or drink
12 that is not potentially hazardous, without a limitation on its display
13 area.

14 O. Until the department adopts exemptions by rule as required by
15 subsection I, paragraph 4, subdivision (h) of this section, a whole fruit
16 or vegetable grown in a public school garden that is washed and cut
17 on-site for immediate consumption is exempt from the rules prescribed in
18 subsection I of this section.

19 P. Until the department adopts an exclusion by rule as required by
20 subsection I, paragraph 14 of this section, the standardized survey known
21 as "the hospital consumer assessment of healthcare providers and systems"
22 may not include patients who experience a fetal demise.

23 Q. Until the department adopts exemptions by rule as required by
24 subsection I, paragraph 4, subdivision (j) of this section, spirituous
25 liquor and commercially prepackaged food, crackers or pretzels that meet
26 the requirements of subsection I, paragraph 4, subdivision (j) of this
27 section are exempt from the rules prescribed in subsection I of this
28 section.

29 R. For the purposes of this section:

30 1. "Cottage food product" has the same meaning prescribed in
31 section 36-931.

32 2. "Fetal demise" means a fetal death that occurs or is confirmed
33 in a licensed hospital. Fetal demise does not include an abortion as
34 defined in section 36-2151.

35 Sec. 58. Section 42-3001, Arizona Revised Statutes, is amended to
36 read:

37 42-3001. Definitions

38 In this chapter, unless the context otherwise requires:

39 1. "ADULT HEMP BEVERAGES" HAS THE SAME MEANING PRESCRIBED IN
40 SECTION 4-101.

41 ~~1.~~ 2. "Affix" and "affixed" include imprinting tax meter stamps on
42 packages and individual containers as authorized by the department.

43 ~~2.~~ 3. "Brand family" has the same meaning prescribed in section
44 44-7111.

1 ~~3-~~ 4. "Cavendish" means a tobacco product that is smoked from a
2 pipe and that meets one of the following criteria:

3 (a) Is described as cavendish, as containing cavendish or as a
4 cavendish blend on its packaging, labeling or promotional materials.

5 (b) Appears to have been processed or manufactured with an amount
6 of flavorings and humectants that exceeds twenty percent of the weight of
7 the tobacco contained in the product.

8 (c) Appears to be blended with or contain a tobacco product
9 described in subdivision (b) of this paragraph.

10 ~~4-~~ 5. "Cider" means vinous liquor that is made from the normal
11 alcoholic fermentation of the juice of sound, ripe apples, pears or other
12 pome fruit, including flavored, sparkling and carbonated cider and cider
13 made from condensed apple, pear or other pome fruit must, and that
14 contains more than one-half of one percent of alcohol by volume but not
15 more than seven percent of alcohol by volume.

16 ~~5-~~ 6. "Cigar" means any roll of tobacco wrapped in leaf tobacco or
17 in any substance containing tobacco other than any roll of tobacco that is
18 a cigarette, as defined in paragraph ~~6-~~ 7, subdivision (b) of this
19 section.

20 ~~6-~~ 7. "Cigarette" means either of the following:

21 (a) Any roll of tobacco wrapped in paper or any substance not
22 containing tobacco.

23 (b) Any roll of tobacco wrapped in any substance containing tobacco
24 that, because of its appearance, the type of tobacco used in the filler or
25 its packaging and labeling, is likely to be offered to or purchased by a
26 consumer as a cigarette described in subdivision (a) of this paragraph.
27 This subdivision shall be interpreted consistently with the classification
28 guidelines established by the federal alcohol and tobacco tax and trade
29 bureau.

30 ~~7-~~ 8. "Consumer" means a person in this state that comes into
31 possession of any luxury subject to the tax imposed by this chapter and
32 that, on coming into possession of the luxury, is not a distributor
33 intending to sell or distribute the luxury, a retailer or a wholesaler.

34 ~~8-~~ 9. "Craft distiller" means a distiller in the United States or
35 in a territory or possession of the United States that holds a license
36 pursuant to section 4-205.10.

37 ~~9-~~ 10. "Distributor" means any person that manufactures, produces,
38 ships, transports or imports into this state or in any manner acquires or
39 possesses for the purpose of making the first sale of the following:

40 (a) Cigarettes without Arizona tax stamps affixed as required by
41 this article.

42 (b) Roll-your-own tobacco or other tobacco products on which the
43 taxes have not been paid as required by this chapter.

44 ~~10-~~ 11. "Farm winery" has the same meaning prescribed in section
45 4-101.

~~11.~~ 12. "First sale" means the initial sale or distribution in intrastate commerce or the initial use or consumption of cigarettes, roll-your-own tobacco or other tobacco products.

~~12.~~ 13. "Luxury" means any article, object or device on which a tax is imposed under this chapter.

~~13.~~ 14. "Malt liquor" means any liquid that contains more than one-half of one percent alcohol by volume and that is made by the process of fermentation and not distillation of hops or grains, but not including:

(a) Liquids made by the process of distillation of such substances.

(b) Medicines that are unsuitable for beverage purposes.

~~14.~~ 15. "Master settlement agreement" has the same meaning prescribed in section 44-7101.

~~15.~~ 16. "Microbrewery" has the same meaning prescribed in section 4-101.

~~16.~~ 17. "Nonparticipating manufacturer" has the same meaning prescribed in section 44-7111.

~~17.~~ 18. "Other tobacco products" means tobacco products other than cigarettes and roll-your-own tobacco.

~~18.~~ 19. "Participating manufacturer" has the same meaning prescribed in section 44-7111.

~~19.~~ 20. "Person" means any individual, firm, partnership, joint venture, association, corporation, municipal corporation, estate, trust, club, society or other group or combination acting as a unit, and the plural as well as the singular number.

~~20.~~ 21. "Place of business":

(a) Means a building, facility site or location where an order is received or where tobacco products are sold, distributed or transferred.

~~Place of business~~

(b) Does not include a vehicle.

22. "READY-TO-DRINK SPIRITS PRODUCT" MEANS DISTILLED SPIRITS AS DEFINED IN SECTION 4-101 THAT ARE MIXED WITH ANOTHER BEVERAGE THAT MAY CONTAIN FLAVORING OR COLORING MATERIALS AND OTHER INGREDIENTS, THAT DO NOT EXCEED TEN PERCENT ALCOHOL BY VOLUME, THAT ARE SEALED IN AN ORIGINAL CONTAINER OF NOT MORE THAN SIXTEEN OUNCES AND THAT ARE SOLD IN THE MANUFACTURER'S ORIGINAL PACKAGING.

~~21.~~ 23. "Retailer" means any person that comes into possession of any luxury subject to the taxes imposed by this chapter for the purpose of selling it for consumption and not for resale.

~~22.~~ 24. "Roll-your-own tobacco" means any tobacco that, because of its appearance, type, packaging or labeling, is suitable for use and likely to be offered to or purchased by consumers as tobacco for making cigarettes. This paragraph shall be interpreted consistently with the term as used in section 44-7101. This paragraph shall be interpreted consistently with the classification guidelines established by the federal alcohol and tobacco tax and trade bureau.

1 ~~23.~~ 25. "Smoking tobacco":

2 (a) Means any tobacco that, because of its appearance, type,
3 packaging, labeling or promotion, is suitable for use and likely to be
4 offered to or purchased by consumers as tobacco for making cigarettes or
5 otherwise consumed by burning. ~~Smoking tobacco~~

6 (b) Includes pipe tobacco and roll-your-own tobacco.

7 ~~24.~~ 26. "Spirituos liquor":

8 (a) Means any liquid that contains more than one-half of one
9 percent alcohol by volume, that is produced by distillation of any
10 fermented substance and that is used or prepared for use as a beverage.

11 ~~Spirituos liquor~~

12 (b) Does not include medicines that are unsuitable for beverage
13 purposes.

14 ~~25.~~ 27. "Tobacco product manufacturer" has the same meaning
15 prescribed in section 44-7101.

16 ~~26.~~ 28. "Tobacco products" means all luxuries included in section
17 42-3052, paragraphs 5 through 9.

18 ~~27.~~ 29. "Vehicle" means a device in, on or by which a person or
19 property is or may be transported or drawn on the roads of this state
20 regardless of the means by which it is propelled or whether it runs on a
21 track.

22 ~~28.~~ 30. "Vinous liquor":

23 (a) Means any liquid that contains more than one-half of one
24 percent alcohol by volume and that is made by the process of fermentation
25 of grapes, berries, fruits, vegetables or other substances. ~~But~~

26 (b) Does not include:

27 ~~(a)~~ (i) Liquids in which hops or grains are used in the process of
28 fermentation.

29 ~~(b)~~ (ii) Liquids made by the process of distillation of hops or
30 grains.

31 ~~(c)~~ (iii) Medicines that are unsuitable for beverage purposes.

32 ~~29.~~ 31. "Wholesaler" means a person that sells any spirituous,
33 vinous or malt liquor OR ADULT HEMP BEVERAGES taxed under this chapter to
34 retail dealers or for the purposes of resale only.

35 Sec. 59. Section 42-3051, Arizona Revised Statutes, is amended to
36 read:

37 42-3051. Levy of tax

38 In addition to all other taxes, there is levied and imposed and
39 there shall be collected and deposited, pursuant to sections 35-146 and
40 35-147, in the manner provided by this chapter, taxes on all spirituous,
41 vinous and malt liquors, ON ALL ADULT HEMP BEVERAGES and on all
42 cigarettes, cigars, smoking tobacco, plug tobacco, snuff and other forms
43 of tobacco, for use as may be prescribed by law.

1 Sec. 60. Section 42-3052, Arizona Revised Statutes, is amended to
2 read:

3 42-3052. Classifications of luxuries; rates of tax

4 The taxes under this chapter are imposed at the following rates:

5 1. On each sealed container of spirituous liquor, ~~at the rate of~~
6 ~~three dollars~~ \$3 PER gallon and at a proportionate rate for any lesser or
7 greater quantity than one gallon.

8 2. On each container of vinous liquor, except cider, of which the
9 alcoholic content is not greater than twenty-four ~~per cent~~ PERCENT by
10 volume, ~~at the rate of eighty-four cents~~ \$.84 per gallon and at a
11 proportionate rate for any lesser or greater quantity than one gallon.

12 3. On each container of vinous liquor of which the alcoholic
13 content is greater than twenty-four ~~per cent~~ PERCENT by volume, containing
14 eight ounces or less, ~~twenty-five cents~~ \$.25, and for each eight ounces
15 for containers containing more than eight ounces, ~~twenty-five cents~~ \$.25.

16 4. On each gallon of malt liquor or cider, ~~sixteen cents~~ \$.16, and
17 at a proportionate rate for any lesser or greater quantity than one
18 gallon.

19 5. On each cigarette, ~~nine-tenths cent~~ \$.009.

20 6. On smoking tobacco, snuff, fine cut chewing tobacco, cut and
21 granulated tobacco, shorts and refuse of fine cut chewing tobacco, and
22 refuse, scraps, clippings, cuttings and sweepings of tobacco, excluding
23 tobacco powder or tobacco products used exclusively for agricultural or
24 horticultural purposes and unfit for human consumption, ~~two cents~~ \$.02 per
25 ounce or major fraction of an ounce.

26 7. On all cavendish, plug or twist tobacco, ~~one-half cent~~ \$.005 per
27 ounce or fractional part of an ounce.

28 8. On each twenty small cigars or fractional part weighing not more
29 than three pounds per thousand, ~~four cents~~ \$.04.

30 9. On cigars of all descriptions except those included in paragraph
31 8 of this section, made of tobacco or any tobacco substitute:

32 (a) If manufactured to retail at not more than ~~five cents~~ \$.05
33 each, ~~two cents~~ \$.02 on each three cigars.

34 (b) If manufactured to retail at more than ~~five cents~~ \$.05 each,
35 ~~two cents~~ \$.02 on each cigar.

36 10. ON EACH SEALED CONTAINER OF ADULT HEMP BEVERAGES, \$1.50 PER
37 GALLON AND A PROPORTIONATE RATE FOR ANY LESSER OR GREATER QUANTITY THAN
38 ONE GALLON.

39 11. ON EACH SEALED CONTAINER OF A READY-TO-DRINK SPIRITS PRODUCT,
40 \$1.50 PER GALLON AND A PROPORTIONATE RATE FOR ANY LESSER OR GREATER
41 QUANTITY THAN ONE GALLON.

1 Sec. 61. Section 42-3351, Arizona Revised Statutes, is amended to
2 read:

3 42-3351. Bonds required of liquor and adult hemp beverages
4 wholesalers; exemption

5 A. Every wholesaler of spirituous LIQUORS, vinous ~~and~~ LIQUORS, malt
6 liquors, READY-TO-DRINK SPIRITS PRODUCTS AND ADULT HEMP BEVERAGES shall
7 file with the department, in such form as the department prescribes, a
8 bond or bonds, duly executed by the wholesaler as principal, and with a
9 corporation duly authorized to execute and write bonds within the state as
10 surety, payable to the state, and conditioned ~~upon~~ ON the payment of all
11 taxes, penalties and other obligations of the wholesaler arising under
12 this chapter.

13 B. The department shall fix the total amount of the bond or bonds
14 required of the wholesaler and may increase or reduce the amount at any
15 time. In fixing the total amount, the department shall require a bond or
16 bonds equivalent in total amount to twice the wholesaler's estimated
17 monthly tax, ascertained in such manner as the department deems proper.
18 The total amount of the bond or bonds required of any wholesaler shall not
19 be less than ~~two thousand dollars~~ \$2,000.

20 C. A wholesaler is exempt from the requirements of this section if
21 the wholesaler has made timely payment of the taxes imposed by this
22 chapter for the twenty-four consecutive months immediately preceding the
23 current month.

24 Sec. 62. Section 42-3352, Arizona Revised Statutes, is amended to
25 read:

26 42-3352. Reports of distillers, producers and manufacturers

27 A. Every distiller or manufacturer of distilled spirits, ~~and~~ vinous
28 and malt liquors AND ADULT HEMP BEVERAGES that sells any of those products
29 to wholesalers within this state shall maintain in its records a copy of
30 the invoice of the sale, showing in detail:

- 31 1. The kind of liquor or ADULT HEMP beverage sold.
- 32 2. The quantities of each.
- 33 3. The size of the container and the weight of the contents.
- 34 4. The alcoholic content if required by section 42-3052.
- 35 5. The name of the person, firm or corporation to whom sold.

36 B. A distiller, PRODUCER or manufacturer shall make the invoices
37 required to be kept pursuant to subsection A of this section available to
38 the department on request.

39 Sec. 63. Section 42-3354, Arizona Revised Statutes, is amended to
40 read:

41 42-3354. Return and payment by spirituous or vinous liquor
42 wholesalers

43 A. Every wholesaler of spirituous liquors selling spirituous
44 liquors within ~~the~~ THIS state shall pay the tax under this chapter on all

1 such liquor sold within ~~the~~ THIS state and add the amount of the tax to
2 the sales price.

3 B. Every wholesaler of vinous liquors selling vinous liquors other
4 than ciders ~~as defined in section 42-3001~~ within this state shall pay the
5 tax under this chapter on all such liquors sold within this state and add
6 the amount of tax to the sales price.

7 C. EVERY WHOLESALER OF READY-TO-DRINK SPIRITS PRODUCTS SELLING
8 READY-TO-DRINK SPIRITS PRODUCTS WITHIN THIS STATE SHALL PAY THE TAX UNDER
9 THIS CHAPTER ON ALL SUCH PRODUCTS SOLD WITHIN THIS STATE AND ADD THE
10 AMOUNT OF THE TAX TO THE SALES PRICE.

11 ~~E.~~ D. The wholesaler shall pay the tax to the department monthly
12 on or before the twentieth day of the month next succeeding the month in
13 which the tax accrues.

14 ~~E.~~ E. On or before the date prescribed by subsection ~~E~~ D of this
15 section, the wholesaler shall prepare a sworn return for the month in
16 which the tax accrues in the form prescribed by the department, showing:

17 1. The amount of spirituous liquors sold in this state during the
18 month in which the tax accrues.

19 2. The amount of vinous liquors other than ciders ~~as defined in~~
20 ~~section 42-3001~~ sold in ~~the~~ THIS state during the month in which the tax
21 accrues.

22 3. The amount of tax for the period covered by the return.

23 4. Any other information that the department deems necessary for
24 the proper administration of this chapter.

25 ~~E.~~ F. The wholesaler shall deliver the return, together with a
26 remittance of the amount of the tax due, to the department.

27 ~~F.~~ G. Any taxpayer that fails to pay the tax within ten days ~~from~~
28 AFTER the date on which the payment becomes due is subject to and shall
29 pay a penalty determined under section 42-1125, plus interest at the rate
30 determined pursuant to section 42-1123 from the time the tax was due and
31 payable until paid.

32 ~~E.~~ H. For reporting periods beginning from and after December 31,
33 2019, or when the department has established an electronic filing program,
34 whichever is later, each taxpayer shall file electronically any report or
35 return required under this chapter. The report or return is considered to
36 be filed and received by the department on the date of the electronic
37 postmark pursuant to section 42-1105.02.

38 Sec. 64. Section 42-3355, Arizona Revised Statutes, is amended to
39 read:

40 42-3355. Return and payment by farm wineries, manufacturers,
41 direct shipment licensees, microbreweries and
42 craft distillers

43 A. A farm winery selling vinous liquor OR ADULT HEMP BEVERAGES at
44 retail or to a retail licensee pursuant to title 4, chapter 2 that is
45 manufactured or produced on the premises, a producer of vinous liquor OR

1 ADULT HEMP BEVERAGES that sells at retail pursuant to section 4-243.02 or
2 a direct shipment licensee that sells pursuant to section 4-203.04 shall
3 pay the tax under this chapter on all such liquor OR ADULT HEMP BEVERAGES
4 sold at retail or to a retail licensee within this state and add the
5 amount of the tax to the sales price.

6 B. A microbrewery selling malt liquor OR ADULT HEMP BEVERAGES at
7 retail or to a retail licensee pursuant to title 4, chapter 2 that is
8 manufactured or produced on the premises or a manufacturer of beer OR
9 ADULT HEMP BEVERAGES that sells at retail pursuant to section 4-243.02
10 shall pay the tax under this chapter on all malt liquor OR ADULT HEMP
11 BEVERAGES sold at retail or to a retail licensee within this state and add
12 the amount of the tax to the sales price.

13 C. A craft distiller selling spirituous liquor, READY-TO-DRINK
14 SPIRITS PRODUCTS OR ADULT HEMP BEVERAGES at retail or to a retail licensee
15 pursuant to title 4, chapter 2 that is manufactured or produced on the
16 premises or a distiller of spirituous liquor, READY-TO-DRINK SPIRITS
17 PRODUCTS OR ADULT HEMP BEVERAGES that sells at retail pursuant to section
18 4-243.02 shall pay the tax under this chapter on all spirituous liquor,
19 READY-TO-DRINK SPIRITS PRODUCTS OR ADULT HEMP BEVERAGES sold at retail or
20 to a retail licensee within this state and add the amount of the tax to
21 the sales price.

22 D. The farm winery, manufacturer, microbrewery, craft distiller or
23 direct shipment licensee shall pay the tax to the department annually on
24 or before the twentieth day of the first month of the year succeeding the
25 year in which the tax accrues.

26 E. On or before that date, the farm winery, manufacturer,
27 microbrewery, craft distiller or direct shipment licensee shall prepare a
28 sworn return for the year in which the tax accrues in the form prescribed
29 by the department, showing:

30 1. The amount of liquors, ~~or~~ beer, READY-TO-DRINK SPIRITS PRODUCTS
31 OR ADULT HEMP BEVERAGES sold in this state during the year in which the
32 tax accrues.

33 2. The amount of tax for the period covered by the return.

34 3. Any other information that the department deems necessary for
35 the proper administration of this chapter.

36 F. The farm winery, manufacturer, microbrewery, craft distiller or
37 direct shipment licensee shall deliver the return, together with a
38 remittance of the amount of the tax due, to the department.

39 G. Any taxpayer that fails to pay the tax within ten days after the
40 date on which the payment becomes due is subject to and shall pay a
41 penalty determined under section 42-1125, plus interest at the rate
42 determined pursuant to section 42-1123 from the time the tax was due and
43 payable until paid.

44 H. For reporting periods beginning from and after December 31,
45 2019, or when the department has established an electronic filing program,

1 whichever is later, each taxpayer shall file electronically any report or
2 return required under this chapter. The report or return is considered to
3 be filed and received by the department on the date of the electronic
4 postmark pursuant to section 42-1105.02.

5 Sec. 65. Title 42, chapter 3, article 8, Arizona Revised Statutes,
6 is amended by adding section 42-3357, to read:

7 42-3357. Return and payment by wholesalers of adult hemp
8 beverages

9 A. EACH WHOLESALER OF ADULT HEMP BEVERAGES THAT PURCHASES ADULT
10 HEMP BEVERAGES FOR RESALE WITHIN THIS STATE SHALL PAY THE TAX UNDER THIS
11 CHAPTER ON ALL PRODUCTS THAT ARE PURCHASED AND ADD THE AMOUNT OF THE TAX
12 TO THE SALES PRICE.

13 B. THE WHOLESALER SHALL PAY THE TAX TO THE DEPARTMENT MONTHLY ON OR
14 BEFORE THE TWENTIETH DAY OF THE MONTH NEXT SUCCEEDING THE MONTH IN WHICH
15 THE TAX ACCRUES.

16 C. ON OR BEFORE THE DATE PRESCRIBED BY SUBSECTION B OF THIS
17 SECTION, THE WHOLESALER SHALL PREPARE A SWORN RETURN FOR THE MONTH IN
18 WHICH THE TAX ACCRUES IN THE FORM PRESCRIBED BY THE DEPARTMENT, SHOWING:

19 1. THE AMOUNT OF ADULT HEMP BEVERAGES PURCHASED DURING THE MONTH IN
20 WHICH THE TAX ACCRUES.

21 2. THE AMOUNT OF TAX FOR THE PERIOD COVERED BY THE RETURN.

22 3. ANY OTHER INFORMATION THAT THE DEPARTMENT DEEMS NECESSARY FOR
23 THE PROPER ADMINISTRATION OF THIS CHAPTER.

24 D. THE TAXPAYER SHALL DELIVER THE RETURN, TOGETHER WITH A
25 REMITTANCE OF THE AMOUNT OF THE TAX DUE, TO THE DEPARTMENT.

26 E. ANY TAXPAYER THAT FAILS TO PAY THE TAX WITHIN TEN DAYS AFTER THE
27 DATE ON WHICH THE PAYMENT BECOMES DUE IS SUBJECT TO AND SHALL PAY A
28 PENALTY DETERMINED UNDER SECTION 42-1125, PLUS INTEREST AT THE RATE
29 DETERMINED PURSUANT TO SECTION 42-1123 FROM THE TIME THE TAX WAS DUE AND
30 PAYABLE UNTIL PAID.

31 F. FOR REPORTING PERIODS BEGINNING FROM AND AFTER DECEMBER 31,
32 2019, OR WHEN THE DEPARTMENT HAS ESTABLISHED AN ELECTRONIC FILING PROGRAM,
33 WHICHEVER IS LATER, A TAXPAYER SHALL FILE ELECTRONICALLY ANY REPORT OR
34 RETURN REQUIRED UNDER THIS CHAPTER. THE REPORT OR RETURN IS CONSIDERED TO
35 BE FILED AND RECEIVED BY THE DEPARTMENT ON THE DATE OF THE ELECTRONIC
36 POSTMARK PURSUANT TO SECTION 42-1105.02.

37 Sec. 66. Existing licensee applications

38 A. Notwithstanding section 4-203, Arizona Revised Statutes, as
39 amended by this act, a person holding a producer's license or craft
40 producer's license pursuant to title 4, Arizona Revised Statutes, may
41 apply to add an adult hemp beverages manufacturer license to manufacture
42 and sell adult hemp beverages under that producer's or craft producer's
43 license, and the department of liquor licenses and control shall grant the
44 license on the submission of a completed application without a hearing.

1 B. Notwithstanding section 4-203, Arizona Revised Statutes, as
2 amended by this act, a person holding a wholesaler's license pursuant to
3 title 4, Arizona Revised Statutes, may apply to purchase and sell adult
4 hemp beverages under that license, and the department of liquor licenses
5 and control shall grant that privilege on the submission of a completed
6 application without a hearing.

7 C. Notwithstanding section 4-203, Arizona Revised Statutes, as
8 amended by this act, a person holding a liquor store, beer and wine store,
9 bar, beer and wine bar, club, hotel-motel or restaurant pursuant to title
10 4, Arizona Revised Statutes, may apply to sell adult hemp beverages under
11 that retail license, and the department of liquor licenses and control
12 shall grant that privilege on the submission of a completed application
13 without a hearing.

14 D. Notwithstanding section 4-203, Arizona Revised Statutes, as
15 amended by this act, a person holding a registered alcohol delivery
16 contractor permit pursuant to title 4, Arizona Revised Statutes, may apply
17 to deliver adult hemp beverages under that permit, and the department of
18 liquor licenses and control shall grant that privilege on the submission
19 of a completed application without a hearing.

20 E. A license or permit holder desiring to carry adult hemp
21 beverages shall apply to the director of the department of liquor licenses
22 and control on a form prescribed and furnished by the director of the
23 department of liquor licenses and control. The application for adult hemp
24 beverages may be filed for an existing license or permit or may be
25 submitted with a new license or permit application. The review of the
26 application and the issuance of approval for a new license shall be
27 conducted under the same procedures for the issuance of a spirituous
28 liquor license prescribed in section 4-201, Arizona Revised Statutes, as
29 amended by this act. After the application to carry adult hemp beverages
30 has been issued for a license or permit, the adult hemp beverage
31 designation shall be noted on the license or permit itself and in the
32 records of the department of liquor licenses and control. The director of
33 the department of liquor licenses and control may charge a fee for
34 processing each new license or permit application as provided in this
35 section.

36 F. A city or town may not charge any fee relating to the issuance
37 or approval of adult hemp beverages license or permit applications.

38 Sec. 67. Initial applications; delayed repeal

39 A. Notwithstanding sections 4-216 and 4-225, Arizona Revised
40 Statutes, as added by this act, before the adoption of rules, the
41 department of liquor licenses and control may approve license applications
42 of adult hemp beverages manufacturers and may issue licenses to such
43 applicants that satisfy the requirements of title 4, Arizona Revised
44 Statutes.

1 B. Notwithstanding sections 4-216 and 4-225, Arizona Revised
2 Statutes, as added by this act, before the adoption of rules, the
3 department of liquor licenses and control may approve permit applications
4 of entities that satisfy the requirements of title 4, Arizona Revised
5 Statutes, to serve as independent testing laboratories.

6 C. The director of the department of liquor licenses and control
7 may charge a fee for processing each initial application as provided in
8 this section.

9 D. A city or town may not charge any fee relating to the issuance
10 or approval of adult hemp beverages license or permit applications.

11 E. This section is repealed from and after December 31, 2026.

12 Sec. 68. Grace period

13 The department of liquor licenses and control shall allow retailers
14 and wholesalers ninety days after the effective date of this act to sell
15 any adult hemp beverages products that were in the retailer's or
16 wholesaler's inventory as of the effective date of this act. All sales
17 must be in compliance with the requirements of section 4-244, Arizona
18 Revised Statutes, as amended by this act, including the prohibition on
19 sales to persons under the legal drinking age. From and after ninety days
20 after the effective date of this act, all hemp beverage products that are
21 not removed from the inventory of a retailer or wholesaler shall be
22 subject to forfeiture and destruction and may not be purchased or sold in
23 this state. The cost of seizure, forfeiture and destruction or disposal
24 pursuant to this section shall be paid by the person or entity from whom
25 the adult hemp beverages products are confiscated.

26 Sec. 69. Appropriation; department of liquor licenses and
27 control; adult hemp beverages regulation; intent;
28 exemption

29 A. The sum of \$1,000,000 is appropriated from the liquor licenses
30 fund established by section 4-120, Arizona Revised Statutes, in fiscal
31 year 2025-2026 to the department of liquor licenses and control for adult
32 hemp beverages regulation.

33 B. The legislature intends that the appropriation made in
34 subsection A of this section be considered ongoing funding in future
35 years.

36 C. The appropriation made in subsection A of this section is exempt
37 from the provisions of section 35-190, Arizona Revised Statutes, relating
38 to lapsing of appropriations.

39 Sec. 70. Severability

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

1 Sec. 71. Applicability

2 Sections 42-3001, 42-3051, 42-3052, 42-3351, 42-3352 and 42-3355,
3 Arizona Revised Statutes, as amended by this act, and section 42-3357,
4 Arizona Revised Statutes, as added by this act, apply to taxable periods
5 beginning on or after the first day of the month following the general
6 effective date.

7 Sec. 72. Applicability of existing rules

8 The existing rules of the department of liquor licenses and control
9 applicable to the manufacture and sale of spirituous liquor shall apply
10 equally to the manufacture and sale of adult hemp beverages unless an
11 existing rule is deemed inapplicable by the department of liquor licenses
12 and control.

13 Sec. 73. Legislative intent

14 A. Under the agriculture improvement act of 2018 ("2018 Farm Bill",
15 P. L. 115-334), the United States Congress authorized industrial hemp
16 production, removing hemp and hemp seeds from the United States drug
17 enforcement administration schedule of controlled substances.

18 B. The Arizona legislature enacted its own hemp law, Laws 2018,
19 chapter 287, to preserve and further the intent of the 2018 farm bill. In
20 compliance, the Arizona department of agriculture was directed to do all
21 of the following:

22 1. Oversee the cultivation, processing and distribution of
23 industrial hemp, as defined.

24 2. Issue licenses to hemp growers, harvesters, transporters and
25 processors, which ensures compliance with the 2018 Farm Bill.

26 C. In the 2020 general election, the voters enacted Proposition
27 207, the "smart and safe marijuana act", which took effect in 2021 and
28 regulates the production and sale of recreational marijuana in Arizona.
29 Under section 36-2850, paragraph 19, subdivision (c), Arizona Revised
30 Statutes, of that voter initiative, industrial hemp is specifically
31 excluded from the definition of marijuana.

32 D. While the legislature recognized the need in 2018 to regulate
33 hemp products under a framework overseen by the Arizona department of
34 agriculture, for public safety reasons the fifty-seventh legislature,
35 first regular session recognizes the need to further regulate adult hemp
36 beverages and integrate them into the existing regulatory framework for
37 spirituous liquor beverages under the jurisdiction of the Arizona
38 department of liquor licenses and control. Under title 4, Arizona Revised
39 Statutes, adult hemp beverages will be classified and regulated along with
40 spirituous liquor beverages, which involves all of the following:

41 1. Licensing and trade practice requirements for manufacturers,
42 distributors and retailers of adult hemp beverages.

43 2. Sales of adult hemp beverages only to persons twenty-one years
44 of age or older and only in licensed establishments.

- 1 3. Regulations on adult hemp beverages to limit
- 2 tetrahydrocannabinol potency levels and to prevent over-service for the
- 3 purpose of mitigating intoxication risks.
- 4 4. Product testing, labeling and marketing restrictions on adult
- 5 hemp beverages.
- 6 5. Comparable luxury tax requirements on adult hemp beverages.