

House Engrossed Senate Bill

liquor; policies; procedures

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

CHAPTER 70

SENATE BILL 1478

AN ACT

AMENDING SECTIONS 4-101, 4-201, 4-203, 4-203.01, 4-205.02, 4-205.04, 4-205.08, 4-205.10, 4-209, 4-212, 4-214, 4-221, 4-222 AND 4-223, ARIZONA REVISED STATUTES; REPEALING SECTION 4-225, ARIZONA REVISED STATUTES; AMENDING SECTIONS 4-226, 4-244, 42-3001, 42-3352 AND 42-3355, ARIZONA REVISED STATUTES; RELATING TO LIQUOR.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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

4 4-101. Definitions

5 In this title, unless the context otherwise requires:

6 1. "Act of violence":

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

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

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

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

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

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

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

26 3. "Beer":

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

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

35 4. "Biometric identity verification device" means a device
36 authorized by the department that instantly verifies the identity and age
37 of a person by an electronic scan of a biometric of the person, through a
38 fingerprint, iris image, facial image or other biometric characteristic,
39 or any combination of these characteristics, that references the person's
40 identity and age against any record described in section 4-241, subsection
41 K, and that meets all of the following conditions:

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

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

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

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

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

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

10 6. "Bona fide guest" means:

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

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

20 7. "Broken package" means any container of spirituous liquor on
21 which the United States tax seal has been broken or removed or from which
22 the cap, cork or seal placed on the container by the ~~manufacturer~~ PRODUCER
23 has been removed.

24 8. "CIDER":

25 (a) MEANS ANY BEVERAGE THAT IS MADE FROM THE NORMAL ALCOHOLIC
26 FERMENTATION OF THE JUICE OF SOUND AND RIPE APPLES, PEARS OR OTHER POME
27 FRUIT AND THAT CONTAINS MORE THAN ONE-HALF OF ONE PERCENT OF ALCOHOL BY
28 VOLUME AND NOT MORE THAN EIGHT AND ONE-HALF PERCENT OF ALCOHOL BY VOLUME.

29 (b) INCLUDES FLAVORED, SPARKLING AND CARBONATED CIDER AND CIDER
30 MADE FROM CONDENSED APPLE, PEAR OR OTHER POME FRUIT MUST.

31 ~~8~~ 9. "Club" includes any of the following organizations where the
32 sale of spirituous liquor for consumption on the premises is made only to
33 members, spouses of members, families of members, bona fide guests of
34 members and guests at other events authorized in this title:

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

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

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

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

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

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

35 ~~9-~~ 10. "Company" or "association", when used in reference to a
36 corporation, includes successors or assigns.

37 ~~10-~~ 11. "Control" means the power to direct or cause the direction
38 of the management and policies of an applicant or licensee, whether
39 through the ownership of voting securities or a partnership interest, by
40 agreement or otherwise. Control is presumed to exist if a person has the
41 direct or indirect ownership of or power to vote ten percent or more of
42 the outstanding voting securities of the applicant or licensee or to
43 control in any manner the election of one or more of the directors of the
44 applicant or licensee. In the case of a partnership, control is presumed
45 to mean the general partner or a limited partner who holds ten percent or

1 more of the voting rights of the partnership. For the purposes of
2 determining the percentage of voting securities owned, controlled or held
3 by a person, there shall be aggregated with the voting securities
4 attributed to the person the voting securities of an officer, partner,
5 employee or agent of the person or a spouse, parent or child of the
6 person. Control is also presumed to exist if a creditor of the applicant
7 or licensee holds a beneficial interest in ten percent or more of the
8 liabilities of the licensee. The presumptions in this paragraph regarding
9 control are rebuttable.

10 ~~11.~~ 12. "Controlling person" means a person directly or indirectly
11 possessing control of an applicant or licensee.

12 ~~12.~~ 13. "Craft distiller" means a distiller in the United States
13 or in a territory or possession of the United States that holds a license
14 pursuant to section 4-205.10.

15 ~~13.~~ 14. "Craft producer" means a licensed farm winery, a licensed
16 microbrewery or a licensed craft distiller.

17 ~~14.~~ 15. "Department" means the department of liquor licenses and
18 control.

19 ~~15.~~ 16. "Director" means the director of the department of liquor
20 licenses and control.

21 ~~16.~~ 17. "Distilled spirits" includes alcohol, brandy, whiskey,
22 rum, tequila, mescal, gin, absinthe, a compound or mixture of any of them
23 or of any of them with any vegetable or other substance, alcohol bitters,
24 ~~bitters containing alcohol, fruits preserved in ardent spirits,~~ BEVERAGES
25 THAT CONTAIN MORE THAN ONE-HALF OF ONE PERCENT OF ALCOHOL BY VOLUME AND
26 THAT ARE PRODUCED BY THE DISTILLATION OR RECTIFICATION OF FERMENTED
27 MATERIAL and any alcoholic mixture or preparation, whether patented or
28 otherwise, that may in sufficient quantities produce intoxication.

29 ~~17.~~ 18. "Employee":

30 (a) Means any person who performs any service on licensed premises
31 on a full-time, part-time or contract basis with consent of the licensee,
32 whether or not the person is denominated an employee or independent
33 contractor or otherwise. ~~Employee~~

34 (b) Does not include a person who is exclusively on the premises
35 for musical or vocal performances, for repair or maintenance of the
36 premises or for the delivery of goods to the licensee.

37 ~~18.~~ 19. "Farm winery" means a winery in the United States or in a
38 territory or possession of the United States that holds a license pursuant
39 to section 4-205.04.

40 ~~19.~~ 20. "Government license" means a license to serve and sell
41 spirituous liquor on specified premises available only to a state agency,
42 state board, state commission, county, city, town, community college or
43 state university or the national guard or Arizona coliseum and exposition
44 center on application by the governing body of the state agency, state
45 board, state commission, county, city, town, community college or state

1 university or the national guard or Arizona exposition and state fair
2 board.

3 ~~20.~~ 21. "Legal drinking age" means twenty-one years of age or
4 older.

5 ~~21.~~ 22. "License" means a license or an interim retail permit
6 issued pursuant to this title.

7 ~~22.~~ 23. "Licensee" means a person who has been issued a license or
8 an interim retail permit pursuant to this title or a special event
9 licensee.

10 ~~23.~~ 24. "License fees" means fees collected for license issuance,
11 license application, license renewal, interim permit issuance and license
12 transfer between persons or locations.

13 ~~24.~~ 25. "Manager" means a natural person who meets the standards
14 required of licensees and who has authority to organize, direct, carry on,
15 control or otherwise operate a licensed business on a temporary or
16 full-time basis.

17 ~~25.~~ 26. "Menu food item" means a food item from a regular menu,
18 special menu or happy hour menu that is prepared by the licensee or the
19 licensee's employee.

20 ~~26.~~ 27. "Microbrewery" means a brewery in the United States or in
21 a territory or possession of the United States that meets the requirements
22 of section 4-205.08.

23 ~~27.~~ 28. "Mixed cocktail":

24 (a) Means any drink combined at the premises of an authorized
25 licensee that contains a spirituous liquor and that is combined with at
26 least one other ingredient, which may include additional spirituous
27 liquors, fruit juice, vegetable juice, mixers, cream, flavored syrup or
28 other ingredients except water, and that when combined contains more than
29 one-half of one percent of alcohol by volume.

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

34 ~~28.~~ 29. "Off-sale retailer" means any person that operates a bona
35 fide regularly established retail liquor store that sells spirituous
36 liquors, wines and beer and any established retail store that sells
37 commodities other than spirituous liquors and that is engaged in the sale
38 of spirituous liquors only in the original unbroken package, to be taken
39 away from the premises of the retailer and to be consumed off the
40 premises.

41 ~~29.~~ 30. "On-sale retailer" means any person operating an
42 establishment where spirituous liquors are sold in the original container
43 for consumption on or off the premises or in individual portions for
44 consumption on the premises.

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

~~31.~~ 32. "Person" includes a partnership, limited liability company, association, company or corporation, as well as a natural person.

~~32.~~ 33. "Premises" or "licensed premises":

(a) Means the area from which the licensee is authorized to sell, dispense or serve spirituous liquors under the provision of the license.

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

~~33.~~ 34. "Registered alcohol delivery contractor":

(a) Means a person who delivers spirituous liquor to a consumer on behalf of a bar, beer and wine bar, liquor store, beer and wine store or restaurant.

(b) Does not include:

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

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

~~34.~~ 35. "Registered mail" includes certified mail.

~~35.~~ 36. "Registered retail agent" means any person who is authorized pursuant to section 4-222 to purchase spirituous liquors for and on behalf of the person and other retail licensees.

~~36.~~ 37. "Repeated acts of violence" means:

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

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

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

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

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

~~37.~~ 38. "Sell" includes soliciting or receiving an order for, keeping or exposing for sale, directly or indirectly delivering for value, peddling, keeping with intent to sell and trafficking in.

1 ~~38.~~ 39. "Spirituous liquor":

2 (a) Includes alcohol, brandy, whiskey, rum, tequila, mescal, gin,
3 wine, porter, ale, beer, CIDER, any malt liquor or malt beverage,
4 absinthe, a compound or mixture of any of them or of any of them with any
5 vegetable or other substance, alcohol bitters, ~~bitters containing alcohol,~~
6 any liquid mixture or preparation, whether patented or otherwise, that
7 produces intoxication, ~~fruits preserved in ardent spirits,~~ and beverages
8 containing more than one-half of one percent of alcohol by volume.

9 (b) DOES NOT INCLUDE NONBEVERAGE PRODUCTS AS DEFINED IN 27 CODE OF
10 FEDERAL REGULATIONS PART 17 AND THAT ARE QUALIFIED BY THE UNITED STATES
11 ALCOHOL AND TOBACCO TAX AND TRADE BUREAU AS NONBEVERAGE PRODUCTS.

12 ~~39.~~ 40. "Tamperproof sealed" means designed to prevent consumption
13 without the removal of a tamperproof cap, seal, cork or closure that has a
14 device, mechanism or adhesive that clearly shows whether a container has
15 been opened.

16 ~~40.~~ 41. "Vehicle" means any means of transportation by land, water
17 or air, and includes everything made use of in any way for such
18 transportation.

19 ~~41.~~ 42. "Vending machine" means a machine that dispenses
20 merchandise through the means of coin, token, credit card or other
21 nonpersonal means of accepting payment for merchandise received.

22 ~~42.~~ 43. "Veteran" means a person who has served in the United
23 States air force, army, navy, marine corps, SPACE FORCE or coast guard, as
24 an active nurse in the services of the American red cross, in the army and
25 navy nurse corps in time of war, or in any expedition of the armed forces
26 of the United States, and who has received a discharge other than
27 dishonorable.

28 ~~43.~~ 44. "Voting security" means any security presently entitling
29 the owner or holder of the security to vote for the election of directors
30 of an applicant or a licensee.

31 ~~44.~~ 45. "Wine" means the product obtained by the fermentation of
32 grapes, other agricultural products containing natural or added sugar or
33 cider or any such alcoholic beverage fortified with grape brandy and
34 containing not more than twenty-four percent of alcohol by volume.

35 Sec. 2. Section 4-201, Arizona Revised Statutes, is amended to
36 read:

37 4-201. Licensing; application procedure in city, town or
38 county; burden of proof

39 A. A person desiring a license to ~~manufacture~~ PRODUCE, sell or deal
40 in spirituous liquors shall apply to the director on a form prescribed and
41 furnished by the director.

42 B. A person who files an application for a license within an
43 incorporated city or town shall file the application with the
44 director. The director shall remit the application to the city or town
45 clerk. The city or town clerk shall immediately file a copy of the

1 application in the clerk's office and post a copy for a period of twenty
 2 days in a conspicuous place on the front of the premises where the
 3 business is proposed to be conducted, with a statement requiring any
 4 natural person who is a bona fide resident residing or owning or leasing
 5 property within a one-mile radius from the premises proposed to be
 6 licensed, and who is in favor of or opposed to the issuance of the
 7 license, to file written arguments in favor of or opposed to the issuance
 8 of the license with the clerk within twenty days after the date of
 9 posting. The posting shall be limited to a copy of the license
 10 application and shall not contain any attachments filed with the
 11 application. The written argument shall contain the natural person's
 12 complete name, street address or post office box address and written or
 13 electronic signature. If the written arguments are filed by a person on
 14 behalf of a corporation or other legal entity or association, the written
 15 arguments must be accompanied by a copy of the entity's organizing
 16 document, a designation of the office or position that the person holds
 17 within the organization and a copy of the written appointment of the
 18 person to speak on behalf of the organization. If the written arguments
 19 are filed by a neighborhood association, block watch or other
 20 unincorporated association, written arguments must be accompanied by a
 21 letter of authority designating that person as a spokesperson. The
 22 posting shall contain substantially the following:

23 Notice

24 A hearing on a liquor license application shall be held before
 25 the local governing body at the following date, time and
 26 place:

27 (Insert date, time and address)

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

37 (Insert address and telephone number).

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

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

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

15 E. On receipt of an application for a spirituous liquor license,
16 the director shall set the application for a hearing by the board on a
17 date following the expiration of the time fixed for the submitting of the
18 certified order by the governing body of the city or town or the board of
19 supervisors. If the city or town or the county recommends approval of the
20 license a hearing is not required unless the director, the board or any
21 aggrieved party requests a hearing on the grounds that the public
22 convenience and the best interest of the community will not be
23 substantially served if a license is issued. Any natural person residing
24 or owning or leasing property within a one-mile radius of the proposed
25 location may file a written protest with the director on a form prescribed
26 by the director not later than fifteen calendar days after action by the
27 local governing body or sixty days after the filing of the application,
28 whichever is sooner. The director shall allow protests to be submitted by
29 ~~e-mail~~ EMAIL. The written argument shall contain the natural person's
30 complete name, street address or post office box address and written or
31 electronic signature. If the written arguments are filed by a person on
32 behalf of a corporation or other legal entity or association, the written
33 arguments must be accompanied by a copy of the entity's organizing
34 document, a designation of the office or position that the person holds
35 within the organization and a copy of the written appointment of the
36 person to speak on behalf of the organization. If the written arguments
37 are filed by a neighborhood association, block watch or other
38 unincorporated association, written arguments must be accompanied by a
39 letter of authority designating that person as a spokesperson. If no
40 hearing is requested by the director, the board or any aggrieved party,
41 the application may be approved by the director. If the recommendation is
42 for disapproval of an application, the board shall hold a hearing. If the
43 city, town or county recommends approval of the license pursuant to
44 subsection C of this section or makes no recommendation, the director may
45 cancel the hearing and issue the license unless the board or any aggrieved

1 party requests a hearing. If the reason for the protest is clearly
2 removed or deemed satisfied by the director, the board shall cancel the
3 hearing. If the board cancels the hearing, the department may
4 administratively issue an order without the applicant licensee or other
5 parties present. The certified order, the reasons contained in the order
6 and the summary of the testimony and other evidence supporting the city,
7 town or county disapproval of the recommendation shall be read into the
8 record before the board and shall be considered as evidence by the board.
9 The board shall consider the certified order together with other facts and
10 a report of the director relating to the qualifications of the applicant.
11 If the governing body of the city or town or the board of supervisors
12 fails to return to the director, as provided in ~~subsections~~ SUBSECTION C
13 ~~and D~~ of this section, its order of disapproval, no hearing is required.
14 An application shall be approved or disapproved within one hundred five
15 days after the filing of the application. If, after a hearing by the board
16 where a license has been approved, a formal written order is not entered
17 within thirty days after the hearing, the decision of the board is deemed
18 entered on the thirtieth day after the hearing.

19 F. A hearing may be conducted by an administrative law judge at the
20 request of the board to make findings and recommendations for use by the
21 board in determining whether to grant or deny a license. The
22 administrative law judge shall submit a report of findings to the board
23 within twenty days after the hearing. The board may affirm, reverse,
24 adopt, modify, supplement, amend or reject the administrative law judge's
25 report in whole or in part.

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

33 H. In order to prevent the proliferation of spirituous liquor
34 licenses, the department may deny a license to a business on the grounds
35 that the business is inappropriate for the sale of spirituous liquor. An
36 inappropriate business is one that cannot clearly demonstrate that the
37 sale of spirituous liquor is directly connected to its primary purpose and
38 that the sale of spirituous liquor is not merely incidental to its primary
39 purpose.

40 I. The board shall adopt, by rule, guidelines that state criteria
41 for use in determining whether the public convenience requires and the
42 best interest of the community will be substantially served by the
43 issuance or transfer of a liquor license at the location applied for.
44 These guidelines shall govern the recommendations and other approvals of
45 the department and the local governing authority.

1 J. If the governing body of a city or town recommends disapproval
2 by a two-thirds vote of the members present and voting on an application
3 for the issuance or transfer of a spirituous liquor license that, if
4 approved, would result in a license being issued at a location either
5 having no license or having a license of a different series, the
6 application shall not be approved unless the board decides to approve the
7 application by a two-thirds vote of the members present and voting.

8 Sec. 3. Section 4-203, Arizona Revised Statutes, is amended to
9 read:

10 4-203. licenses; issuance; transfer; reversion to state;
11 tastings; rules; off-sale privileges; order
12 requirements

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

31 B. The license shall be to ~~manufacture~~ PRODUCE, sell or deal in
32 spirituous liquors only at the place and in the manner provided in the
33 license. A separate license shall be issued for each specific business,
34 and each shall specify:

35 1. The particular spirituous liquors that the licensee is
36 authorized to ~~manufacture~~ PRODUCE, sell or deal in.

37 2. The place of business for which issued.

38 3. The purpose for which the liquors may be ~~manufactured~~ PRODUCED
39 or sold.

40 C. A spirituous liquor license issued to a bar, a liquor store or a
41 beer and wine bar shall be transferable as to any permitted location
42 within the same county, if the transfer meets the requirements of an
43 original application. A spirituous liquor license may be transferred to a
44 person qualified to be a licensee, if the transfer is pursuant to either
45 judicial decree, nonjudicial foreclosure of a legal or equitable lien,

1 including security interests held by financial institutions pursuant to
2 section 4-205.05, a sale of the license, a bona fide sale of the entire
3 business and stock in trade, or other bona fide transactions that are
4 provided for by rule. Any change in ownership of the business of a
5 licensee, directly or indirectly, as defined by rule is deemed a transfer,
6 except that there is no transfer if a new artificial person is added to
7 the ownership of a licensee's business but the controlling persons remain
8 identical to the controlling persons that have been previously disclosed
9 to the director as part of the licensee's existing ownership.

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

19 E. A person who assigns, surrenders, transfers or sells control of
20 a liquor license or business that has a spirituous liquor license shall
21 notify the director within thirty business days after the assignment,
22 surrender, transfer or sale. A spirituous liquor license shall not be
23 leased or subleased. A concession agreement entered into under section
24 4-205.03 is not considered a lease or sublease in violation of this
25 section.

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

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

24 G. A licensee who holds a license in nonuse status for more than
25 five months shall be required to pay a \$100 surcharge for each month
26 thereafter. The surcharge shall be paid at the time the license is
27 returned to active status. A license automatically reverts to the state
28 after being held in continuous nonuse for more than thirty-six months.
29 The director may waive the surcharge and may extend the time period
30 provided in this subsection for good cause if the licensee files a written
31 request for an extension of time to place the license in active status
32 before the date of the automatic reversion. Unless the reverted license
33 of the licensee has been subsequently reissued, the director shall relieve
34 a licensee or its legal representative from a prior license reversion
35 under this section if the request for such relief is filed in writing not
36 later than two years after the date of reversion. A license shall not be
37 deemed to have gone into active status if the license is transferred to a
38 location that at the time of or immediately before the transfer had an
39 active license of the same type, unless the licenses are under common
40 ownership or control.

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

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

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

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

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

1 licensee's employee or other authorized person, the mitigation provision
2 of section 4-210, subsection G applies, with the exception of the training
3 requirement. For the purposes of this subsection and notwithstanding the
4 definition of "sell" prescribed in section 4-101, section 4-241,
5 subsections A and K apply only at the time of delivery. For the purposes
6 of compliance with this subsection, an independent contractor, a
7 subcontractor of an independent contractor, the employee of an independent
8 contractor or the employee of a subcontractor is deemed to be acting on
9 behalf of the licensee when making a delivery of spirituous liquor for the
10 licensee.

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

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

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

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

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

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

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

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

43 S. Notwithstanding subsection B of this section, bar, beer and wine
44 bar, liquor store, beer and wine store or restaurant licensees in this
45 state may take orders by telephone, mail, fax or catalog, through the

1 internet or by other means for the sale and delivery of spirituous liquor
2 off the licensed premises as follows:

3 1. Bar licensees for beer, wine, distilled spirits and mixed
4 cocktails.

5 2. Beer and wine bar licensees for beer and wine.

6 3. Liquor store licensees for beer, wine, distilled spirits and
7 mixed cocktails.

8 4. Beer and wine store licensees for beer and wine.

9 5. Restaurant licensees for any of the following:

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

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

16 (c) Beer, wine and distilled spirits if the restaurant holds an
17 off-sale privileges lease with a bar or liquor store pursuant to section
18 4-203.07.

19 (d) Beer and wine if the restaurant holds an off-sale privileges
20 lease with a beer and wine bar pursuant to section 4-203.07.

21 T. Notwithstanding the definition of "sell" prescribed in section
22 4-101, placing an order and paying for that order pursuant to subsection S
23 of this section is not a sale until delivery has been made. At the time
24 that the order is placed, the licensee shall inform the purchaser that
25 state law requires a purchaser of spirituous liquor to be at least
26 twenty-one years of age and that the person accepting delivery of the
27 spirituous liquor is required to comply with this state's age
28 identification requirements as prescribed in section 4-241, subsections A
29 and K. The licensee may maintain a delivery service and may contract with
30 one or more alcohol delivery contractors registered pursuant to section
31 4-205.13 for delivery of spirituous liquor if the spirituous liquor is
32 packaged and tamperproof sealed by the bar, beer and wine bar, liquor
33 store, beer and wine store or restaurant licensee or the licensee's
34 employee and is loaded for delivery at the premises of the restaurant,
35 beer and wine bar, liquor store, beer and wine store or bar licensee in
36 this state and delivered in this state on the same business day. A liquor
37 store or beer and wine store licensee may contract with one or more
38 independent contractors as provided in subsection J of this section for
39 delivery of spirituous liquor if the spirituous liquor is loaded for
40 delivery at the premises of the liquor store or beer and wine store
41 licensee in this state and delivered in this state on the same business
42 day. All containers of spirituous liquor delivered pursuant to subsection
43 S of this section shall be tamperproof sealed and conspicuously labeled
44 with the words "contains alcohol, signature of person who is twenty-one
45 years of age or older is required for delivery". The licensee is

1 responsible for any violation of this title or any rule adopted pursuant
 2 to this title that is committed in connection with any sale or delivery of
 3 spirituous liquor. Delivery must be made by an employee of the licensee
 4 or an employee or authorized independent contractor of a registered
 5 alcohol delivery contractor as provided by this section who is at least
 6 twenty-one years of age and delivery must be made to a customer who is at
 7 least twenty-one years of age and who displays an identification at the
 8 time of delivery that complies with section 4-241, subsection K. The
 9 restaurant, beer and wine bar, liquor store, beer and wine store or bar
 10 licensee shall collect payment for the full price of the spirituous liquor
 11 from the purchaser before the product leaves the licensed premises. The
 12 director shall adopt rules that set operational limits for the delivery of
 13 spirituous liquor pursuant to this subsection and subsection S of this
 14 section with respect to the delivery of spirituous liquor. For any
 15 violation of this title or any rule adopted pursuant to this title that is
 16 based on the act or omission of a licensee's employee or a registered
 17 alcohol delivery contractor, the mitigation provision of section 4-210,
 18 subsection G applies, with the exception of the training requirement. For
 19 the purposes of this subsection and notwithstanding the definition of
 20 "sell" prescribed in section 4-101, section 4-241, subsections A and K
 21 apply only at the time of delivery. An alcohol delivery contractor, a
 22 subcontractor of an alcohol delivery contractor, an employee of an alcohol
 23 delivery contractor or an employee of a subcontractor is deemed to be
 24 acting on behalf of the licensee when making a delivery of spirituous
 25 liquor for the licensee. For the purposes of this subsection, "business
 26 day" means between the hours of 6:00 a.m. of one day and 2:00 a.m. of the
 27 next day.

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

- 32 1. The name of the licensee making the delivery.
- 33 2. The complete address of the licensee making the delivery.
- 34 3. The licensee's license number.
- 35 4. The date and time of the delivery.
- 36 5. The address where the delivery was made.
- 37 6. The type and brand of all spirituous liquor delivered.

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

- 41 1. The individual's name.
- 42 2. The individual's date of birth.
- 43 3. The individual's signature. The licensee making the delivery may

44 use an electronic signature system to comply with the requirements of this
 45 paragraph.

1 Sec. 4. Section 4-203.01, Arizona Revised Statutes, is amended to
2 read:

3 4-203.01. Interim permit; fee; rules

4 A. The director may issue an interim permit to the applicant for a
5 license of the same series, or for the replacement of a hotel-motel
6 license with a restaurant license, at the same premises, **REGARDLESS OF**
7 whether that license is transferrable or nontransferable and **REGARDLESS OF**
8 **WHETHER THAT LICENSE HAS BEEN USED IN THE PAST THREE YEARS, IF** any of the
9 following conditions exists:

10 1. The director has good cause to believe the licensee is no longer
11 in possession of the licensed premises.

12 2. The license for such premises was surrendered **OR EXPIRED OR WAS**
13 **TERMINATED, CANCELED OR IN NONUSE AT THAT PREMISES** pursuant to rules of
14 the department.

15 3. The applicant for the interim permit filed with the department
16 an application for the issuance of a license of the same series of
17 nontransferable license or the transfer or replacement of a transferable
18 license of the same series, or for the replacement of a hotel-motel
19 license with a restaurant license, at the same premises.

20 B. The application for the interim permit shall be accompanied by
21 an interim permit fee of ~~one hundred dollars~~ **\$100**.

22 C. An interim permit issued by the director pursuant to this
23 section shall be for a period of not more than one hundred five days and
24 shall not be extended except as provided in subsection D of this section.
25 An interim permit is a conditional permit and authorizes the holder to
26 sell such alcoholic beverages as would be permitted to be sold under the
27 privileges of the license for which application has been filed with the
28 department.

29 D. Notwithstanding subsection C of this section, if the director
30 extends the time limit for action by the department in connection with a
31 license issuance or transfer pursuant to section 4-201.01, subsection B,
32 the director shall issue an additional interim permit for a period equal
33 to such extension unless either:

34 1. No interim permit has previously been issued.

35 2. For good cause shown the director denies the additional interim
36 permit.

37 E. Notwithstanding any other law, an interim permit may be canceled
38 or suspended summarily at any time, if the director determines that good
39 cause for such cancellation or suspension exists. There shall be no
40 appeal from such cancellation or suspension of an interim permit to the
41 board. The board may cancel an interim permit on applications that have
42 been disapproved by the board. The cancellation or suspension of an
43 interim permit may be appealed directly to the superior court.

44 F. Application for an interim permit shall be on such form as the
45 director ~~shall prescribe~~ **PRESCRIBES**. If an application for an interim

1 permit is withdrawn before issuance or is refused by the director, the fee
2 that accompanies such application shall be refunded.

3 G. If an application for transfer of a license, person to person,
4 or nontransferable spirituous liquor license is denied or an interim
5 permit is revoked, ~~is~~ suspended or expires, the licensee may request the
6 return of the surrendered license that has been issued for such premises.

7 H. The director may prescribe rules governing the issuance of
8 interim permits under this section.

9 I. The director may deny an interim permit in situations in which a
10 current licensee holds a license described in section 4-209, subsection B,
11 paragraph 12 and the current license is not in compliance with section
12 4-205.02.

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

15 4-205.02. Restaurant license; issuance; regulatory
16 provisions; expiration; off-sale leases and
17 permits; fee; definitions

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

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

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

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

1 regarding the licensee's equipment, service or entertainment items or
2 seating capacity in applying for the restaurant license.

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

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

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

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

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

43 J. Notwithstanding section 4-203, subsection E, section 4-207 and
44 section 4-210, subsection A, paragraph 6, through December 31, 2025, a
45 restaurant applicant or licensee may apply to the department for a lease

1 for the privilege of selling mixed cocktails for consumption off the
2 licensed premises pursuant to ~~section 4-203.06~~ and section 4-244,
3 paragraph 32, subdivision (d).

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

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

23 M. For the purposes of this section:

24 1. "Gross revenue":

25 (a) Means the revenue derived from all sales of food and spirituous
26 liquor on the licensed premises, regardless of whether the sales of
27 spirituous liquor are made under a restaurant license issued pursuant to
28 this section or under any other license that has been issued for the
29 premises pursuant to this 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. 6. 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

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. A licensed farm winery may
20 make sales and deliveries of wine only as specifically provided in this
21 section and as follows:

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

24 2. A licensed farm winery may serve wine produced ~~or manufactured~~
25 on the premises for the purpose of sampling the wine. The wine may
26 include wine produced pursuant to subsection D of this section and section
27 4-243.03.

28 3. A representative of the licensed farm winery may consume small
29 amounts of the products of the licensed farm winery on the premises for
30 the purpose of sampling the wine. The wine may include wine produced
31 pursuant to subsection D of this section and section 4-243.03.

32 4. A licensed farm winery may sell to a consumer physically present
33 on the premises wine produced ~~or manufactured~~ on the premises in the
34 original container for consumption on or off the premises. The wine may
35 include wine produced pursuant to subsection D of this section and section
36 4-243.03.

37 5. A licensed farm winery may purchase and sell wine produced,
38 packaged and labeled by another licensed farm winery for sampling and
39 consumption on or off the premises only if the retail sale is to a
40 consumer physically present on the premises of the farm winery, except
41 that the sales of wine produced, packaged and labeled by another winery
42 may not exceed twenty percent of the farm winery's sales by volume. The
43 percentage limitation shall not apply to wine produced pursuant to
44 subsection D of this section and section 4-243.03.

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

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

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

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

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

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

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

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

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

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

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

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

40 (g) The farm winery collects payment for the price of the
41 spirituous liquor not later than at the time of delivery.

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

44 D. A person otherwise qualified to receive a farm winery license
45 may enter into a custom crush arrangement where a licensed winery produces

1 ~~or manufactures~~ wine from grapes or other fruit supplied by the person.
2 The winery receiving the fruit shall be licensed by the United States
3 alcohol and tobacco tax and trade bureau and the department and is
4 responsible for filing all reports that relate to its wine production ~~or~~
5 ~~manufacturing~~ with the United States alcohol and tobacco tax and trade
6 bureau and the department. Each person supplying the grapes or other
7 fruit shall first apply for and receive a farm winery license and shall
8 report to the department all volumes of wine from its custom crush
9 arrangements, which shall not be allocated to the gallonage of the
10 receiving farm winery if the supplying farm winery has an active basic
11 permit issued by the United States alcohol and tobacco tax and trade
12 bureau.

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

16 1. The wine sold at the premises is limited to wine produced ~~or~~
17 ~~manufactured~~ by the licensed farm winery and wines produced ~~or~~
18 ~~manufactured~~ by other licensed farm wineries, including wines produced ~~or~~
19 ~~manufactured~~ pursuant to subsection D of this section and section
20 4-243.03. The farm winery may sell wine to a consumer physically present
21 on the premises for consumption on or off the premises. Sales of wines
22 not produced ~~or manufactured~~ by the farm winery are limited to not more
23 than twenty percent of the total sales by volume at that location. The
24 percentage limitation shall not apply to wine produced pursuant to
25 subsection D of this section and section 4-243.03.

26 2. The farm winery licensee:

27 (a) Remains responsible for the premises.

28 (b) Obtains approval for the premises from the local governing body
29 before submitting an application to the department. A copy of an order
30 from the local governing body recommending approval of the premises must
31 be filed with the department as part of the application.

32 (c) Does not sublease the premises.

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

35 (e) Meets the qualifications for a license pursuant to section
36 4-203, subsection A.

37 F. A farm winery licensee may hold a craft distiller license issued
38 pursuant to section 4-205.10. The farm winery and craft distiller
39 licensee is subject to all other requirements of this section and section
40 4-205.10. The farm winery may provide sampling and sales of the distilled
41 spirits pursuant to section 4-205.10, subsection C, paragraphs 2 and 3 on
42 the same premises as the wine sampling and retail sales.

43 G. The farm winery is liable for any violation committed in
44 connection with any sale or delivery of the wine. The rules adopted by
45 the director pursuant to section 4-203, subsection J apply to the delivery

1 of wine under subsection C, paragraph 9 of this section. An act or
2 omission of any person who makes a sale or delivery of wine for a licensee
3 under subsection C, paragraph 9 of this section is deemed to be an act or
4 omission of the licensee for the purposes of section 4-210, subsection A,
5 paragraph 9.

6 H. A farm winery that sells or delivers wine pursuant to this
7 section shall:

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

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

12 I. A delivery of wine by a farm winery to a purchaser in this state
13 is a transaction deemed to have occurred in this state.

14 J. The director shall adopt rules in order to administer this
15 section.

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

19 ~~L. The farm winery licensee that operates primarily as a remote~~
20 ~~tasting room premises may exchange the farm winery license for a remote~~
21 ~~tasting room license without an additional fee, not later than~~
22 ~~December 31, 2018. The new A~~ remote tasting room license must be connected
23 to ~~a~~ THE farm winery license, with common ownership, ~~that complies~~ AND
24 SHALL COMPLY with all requirements for a farm winery license pursuant to
25 subsections C and E of this section.

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

35 Sec. 7. Section 4-205.08, Arizona Revised Statutes, is amended to
36 read:

37 4-205.08. Microbrewery license; issuance; regulatory
38 provisions; retail site

39 A. The director may issue a microbrewery license to any
40 microbrewery. Each location that engages in producing, ~~manufacturing~~ and
41 bottling these products must obtain a separate microbrewery license. The
42 licensee may not transfer the microbrewery license from person to person
43 or from location to location.

44 B. An applicant for a microbrewery license, at the time of filing
45 the application for the license, shall accompany the application with the

1 license fee. Persons holding a microbrewery license shall report annually
2 at the end of each calendar year, at the time and in the manner as the
3 director prescribes, the amount of beer produced ~~or manufactured~~ by them
4 during the calendar year and the amount delivered pursuant to subsection
5 D, paragraph 4, subdivision (b) of this section. If the total amount of
6 beer that is produced ~~or manufactured~~ during the calendar year exceeds the
7 amount permitted annually by the license, the licensee shall apply for and
8 receive a producer's license only on surrender of the microbrewery license
9 or licenses and shall have no continuing rights as a microbrewery under
10 this section. On the surrender of the microbrewery license or licenses,
11 the licensee shall transfer, surrender or otherwise relinquish control of
12 all of its retail licenses located remotely from a microbrewery.

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

14 1. Sell beer produced ~~or manufactured~~ on the premises for
15 consumption on or off the premises.

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

20 3. Make sales and deliveries of beer that the microbrewery produces
21 ~~or manufactures~~ to persons licensed to sell beer in another state if
22 lawful under the laws of that state.

23 4. Serve beer produced ~~or manufactured~~ on the premises for the
24 purpose of sampling the beer.

25 5. Sell beer produced ~~or manufactured~~ by other microbreweries for
26 consumption only on the premises of the licensee, except that the sales
27 percentage of beer from other microbreweries may not exceed twenty percent
28 of the licensee's annual sales of beer by volume at the premises. If the
29 other microbrewery has established a distribution relationship with one or
30 more wholesalers who are licensed under this title, the beer shall be
31 purchased through those wholesalers.

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

38 D. A licensed microbrewery is subject to all of the following
39 requirements:

40 1. The microbrewery shall produce ~~or manufacture~~ not less than one
41 thousand gallons of beer in each calendar year following the first year of
42 operation.

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

1 3. If retail operations are conducted in conjunction with the
2 microbrewery, the microbrewery may sell other spirituous liquor products
3 if the microbrewery holds an on-sale retail license for a bar, beer and
4 wine bar or restaurant. The microbrewery may be issued up to a combined
5 total of seven retail licenses in this state, whether the premises are
6 located on or adjacent to a microbrewery or remotely from a microbrewery.
7 The limit on the number of retail licenses applies on an aggregated basis
8 to all microbreweries that are under common control of any person with
9 control of the microbrewery.

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

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

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

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

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

24 2. Make sales or deliveries of beer that the microbrewery has
25 produced ~~or manufactured~~ to any retail licensee as provided in subsection
26 D, paragraph 4 of this section, except for the microbrewery's retail
27 licensees on or adjacent to the microbrewery.

28 F. The gallonage amounts prescribed in subsection D, paragraph 2
29 and subsection E of this section apply to the aggregate ~~manufacture or~~
30 production of all microbreweries that are under common control of any
31 person with control of the microbrewery.

32 G. A microbrewery that is otherwise engaged as a distiller,
33 vintner, brewer, rectifier, blender or other producer of spirituous liquor
34 in any jurisdiction is prohibited from holding any retail license that is
35 located remotely from a microbrewery. This subsection does not prohibit a
36 person with control of more than one microbrewery from conducting retail
37 operations remotely from a microbrewery pursuant to subsection D,
38 paragraph 3 of this section.

39 H. A microbrewery that sells or delivers beer pursuant to this
40 section shall:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 (b) Make deliveries of the distilled spirits that the craft
14 distiller ~~manufactures or~~ produces to any commonly controlled retail
15 licensed premises or to the craft distiller's remote tasting rooms and
16 that are authorized pursuant to this paragraph.

17 5. A licensed craft distiller that produces not more than three
18 thousand five hundred sixty-six gallons of distilled spirits in a calendar
19 year may make sales and deliveries of distilled spirits that the licensed
20 craft distiller produces to on-sale and off-sale retailers.

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

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

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

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

37 (c) The distilled spirits are for personal use only and not for
38 resale.

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

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

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

1 (g) The craft distiller collects payment for the price of the
2 spirituous liquor ~~no~~ NOT later than at the time of delivery.

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

16 2. The craft distiller licensee:

17 (a) Remains responsible for the premises.

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

22 (c) Does not sublease the premises.

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

25 (e) Meets the qualifications for a license pursuant to section
26 4-203, subsection A.

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

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

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

1 G. A craft distiller that sells or delivers distilled spirits
2 pursuant to this section shall:

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

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

7 H. A delivery of distilled spirits by a craft distiller to a
8 purchaser in this state is a transaction deemed to have occurred in this
9 state.

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

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

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

21 J. The director may adopt rules in order to administer this
22 section.

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

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

28 Sec. 9. Section 4-209, Arizona Revised Statutes, is amended to
29 read:

30 4-209. Fees for license, application, issuance, renewal and
31 transfer; late renewal penalty; seasonal operation;
32 surcharges

33 A. A fee shall accompany an application for an original license or
34 transfer of a license, or in case of renewal, shall be paid in advance.
35 Every license expires annually, except that a license may be renewed for a
36 two-year period pursuant to subsection M of this section if no compliance
37 penalties have been issued to that location during the year before the
38 renewal. A licensee who fails to renew the license on or before the due
39 date shall pay a penalty of \$150, which the licensee shall pay with the
40 renewal fee. A license renewal that is deposited, properly addressed and
41 postage prepaid in an official depository of the United States mail on or
42 before the due date shall be deemed filed and received by the department
43 on the date shown by the postmark or other official mark of the United
44 States postal service stamped on the envelope. If the due date falls on a
45 Saturday, Sunday or other legal holiday, the renewal shall be considered

1 timely if it is received by the department on the next business day. The
2 director may waive a late renewal penalty if good cause is shown by the
3 licensee. A licensee who fails to renew the license on or before the due
4 date may not sell, purchase or otherwise deal in spirituous liquor until
5 the license is renewed. A license that is not renewed within sixty days
6 after the due date is deemed terminated. The director may renew the
7 terminated license if good cause is shown by the licensee. Except an
8 application fee for a permit pursuant to section 4-203.07 and section
9 4-205.02, subsection K and leases pursuant to ~~sections 4-203.06 and~~
10 **SECTION** 4-203.07, an application fee for an original license or the
11 transfer of a license shall be \$100, which shall be retained by this
12 state.

13 B. Issuance fees for original licenses shall be:

14 1. For an in-state producer's license to ~~manufacture or~~ produce
15 spirituous liquor in this state, \$1,500.

16 2. Except as provided in paragraph 15 of this subsection, for an
17 out-of-state producer's, exporter's, importer's or rectifier's license,
18 \$200.

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

20 4. For a wholesaler's license to sell spirituous liquors, \$1,500.

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

24 6. For a bar license, which is an on-sale retailer's license to
25 sell all spirituous liquors primarily by individual portions and in the
26 original containers, \$1,500.

27 7. For a beer and wine bar license, which is an on-sale retailer's
28 license to sell beer and wine primarily by individual portions and in the
29 original containers, \$1,500.

30 8. For a conveyance license issued to an operating railroad
31 company, to sell all spirituous liquors in individual portions or in the
32 original containers on all passenger trains operated by the railroad
33 company, or to an operating airline company, to sell or serve spirituous
34 liquors solely in individual portions on all passenger planes operated by
35 the airline company, or to a boat operating in the waters of this state,
36 to sell all spirituous liquors in individual portions or in the original
37 containers for consumption on the boat, \$1,500.

38 9. For a liquor store license, which is an off-sale retailer's
39 license to sell all spirituous liquors, \$1,500.

40 10. For a beer and wine store license, which is an off-sale
41 retailer's license to sell beer and wine, \$1,500.

42 11. For a hotel-motel license issued as such, to sell and serve
43 spirituous liquors solely for consumption on the licensed premises of the
44 hotel or motel, \$1,500.

1 12. For a restaurant license issued as such, to sell and serve
2 spirituous liquors solely for consumption on the licensed premises of the
3 restaurant, \$1,500. For a permit issued under section 4-205.02,
4 subsection H allowing for the sale of beer for the consumption off the
5 licensed premises pursuant to section 4-244, paragraph 32, subdivision
6 (c), the director may charge a fee. For an application for a permit
7 pursuant to section 4-203.07 and section 4-205.02, subsection K, the
8 director may charge a fee. The director may establish and charge fees for
9 lease applications pursuant to ~~sections 4-203.06 and~~ SECTION 4-203.07.

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

12 14. For a club license issued in the name of a bona fide club
13 qualified under this title to sell all spirituous liquors on-sale, \$1,000.

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

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

17 17. The department may charge a fee for registering an alcohol
18 delivery contractor pursuant to section 4-205.13.

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

25 D. The annual fees for licenses shall be:

26 1. For an in-state producer's license to ~~manufacture or~~ produce
27 spirituous liquors in this state, \$350.

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

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

32 4. For a wholesaler's license, to sell spirituous liquors, \$250.

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

35 6. For a bar license, which is an on-sale retailer's license to
36 sell all spirituous liquors primarily by individual portions and in the
37 original containers, \$150.

38 7. For a beer and wine bar license, which is an on-sale retailer's
39 license to sell beer and wine primarily by individual portions and in the
40 original containers, \$75.

41 8. For a conveyance license issued to an operating railroad
42 company, to sell all spirituous liquors in individual portions or in the
43 original containers on all passenger trains operated by the railroad
44 company, or to an operating airline company, to sell or serve spirituous
45 liquors solely in individual portions on all passenger planes operated by

1 the airline company, or to a boat operating in the waters of this state,
2 to sell all spirituous liquor in individual portions or in the original
3 containers for consumption on the boat, \$225.

4 9. For a liquor store license, which is an off-sale retailer's
5 license to sell all spirituous liquors, \$50.

6 10. For a beer and wine store license, which is an off-sale
7 retailer's license to sell beer and wine, \$50.

8 11. For a hotel-motel license issued as such, to sell and serve
9 spirituous liquors solely for consumption on the licensed premises of the
10 hotel or motel, \$500.

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

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

24 14. For a club license issued in the name of a bona fide club
25 qualified under this title to sell all spirituous liquors on-sale, \$150.

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

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

30 17. The department may charge a fee for the annual registration
31 renewal of a registered alcohol delivery contractor pursuant to section
32 4-205.13.

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

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

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

42 H. Assignment fees for a change of agent, as provided for in
43 section 4-202, subsection A, an acquisition of control, as provided for in
44 section 4-203, subsection F, or a restructuring, as provided for in
45 section 4-203, subsection H, shall be \$100, except that where a licensee

1 holds multiple licenses and requests multiple, simultaneous changes, the
2 change of agent, acquisition of control or restructuring fee for the first
3 license shall be \$100 and the fee for all remaining licenses shall be \$50
4 each, except that the aggregate fees shall not exceed \$1,000 for all
5 change of agents, \$1,000 for all acquisitions of control and \$1,000 for
6 all restructurings.

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

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

24 K. The director shall assess a surcharge of \$35 on all licenses
25 prescribed in this section. Monies from the surcharge shall be used by
26 the department exclusively for the costs of an enforcement program to
27 investigate licensees who have been the subject of multiple complaints to
28 the department. The enforcement program shall respond to complaints
29 against licensees by neighborhood associations, by neighborhood civic
30 groups and from municipal and county governments. The department shall
31 assess the surcharge as part of the annual license renewal fee.

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

44 M. Licenses may be renewed every two years with payment of license
45 fees that are twice the amount designated in subsection D of this section

1 and other applicable fees. Licensees renewing every two years must comply
2 with annual reporting requirements. The director may adopt reasonable
3 rules to allow licensees to renew every two years.

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

9 Sec. 10. Section 4-212, Arizona Revised Statutes, is amended to
10 read:

11 4-212. Injunctions

12 If the board or the director has reasonable grounds to believe that
13 a person is violating section 4-244.05 or 4-250.01 or is ~~manufacturing~~
14 PRODUCING, selling or dealing in spirituous liquor without a valid
15 license, permit or registration in violation of this title, the board or
16 the director may apply to the superior court for a temporary restraining
17 order and other injunctive relief prohibiting the specific acts complained
18 of by the board or the director.

19 Sec. 11. Section 4-214, Arizona Revised Statutes, is amended to
20 read:

21 4-214. Arizona wines; labeling

22 A. ~~A person licensed as~~ A farm winery LICENSED pursuant to section
23 4-205.04 or ~~licensed as~~ a producer LICENSED pursuant to section 4-203 may
24 label a wine offered for sale that states that the wine is any of the
25 following:

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

30 2. A wine from a particular federally recognized viticultural area,
31 if at least eighty-five percent of the wine by volume is produced ~~or~~
32 ~~manufactured~~ from grapes or other fruit grown **WITHIN A FEDERALLY**
33 **RECOGNIZED VITICULTURAL AREA THAT IS LOCATED** in this state and is
34 fermented, processed, bottled and labeled in this state.

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

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

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

4 Sec. 12. Section 4-221, Arizona Revised Statutes, is amended to
5 read:

6 4-221. Registration of stills; forfeiture; sale; proceeds

7 A. Every person having in ~~his~~ THE PERSON'S possession or custody or
8 under ~~his~~ THE PERSON'S control a still or distilling apparatus shall
9 register it with the director under the rules the director may prescribe,
10 and every still or distilling apparatus not so registered, together with
11 all mash, wort or wash, for distillation or for the production of spirits
12 or alcohol, and all finished products, together with all personal property
13 in the possession or custody of, or under the control of any person, ~~which~~
14 THAT may be used in the ~~manufacture~~ PRODUCTION or transportation of
15 spirituous liquors, and ~~which~~ THAT is found in the building or in any yard
16 or enclosure connected with the building in which the unregistered still
17 or distilling apparatus is located, shall be forfeited to ~~the~~ THIS state.

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

22 C. The notice shall be posted at the courthouse in the county in
23 which the personal property was seized or at the office of the director
24 and shall be published in a newspaper of general circulation THAT IS
25 published in this state ~~which~~ AND THAT is nearest to the place where the
26 personal property was seized. After paying the expenses of the
27 publication and the expenses of sale from the proceeds of the sale, any
28 balance shall be paid into the STATE general fund ~~of the state~~.

29 Sec. 13. Section 4-222, Arizona Revised Statutes, is amended to
30 read:

31 4-222. Registration of retail agents; fees

32 A. Every person who holds a bar, beer and wine bar, liquor store,
33 beer and wine store, club, hotel-motel or restaurant license and who is
34 authorized by other similarly licensed retailers to act as their retail
35 agent shall register with the director. Such registration shall be in
36 accordance with the rules adopted by the director pursuant to section
37 4-112 and shall also include a listing of the names and business addresses
38 of those similarly licensed retailers who have authorized ~~him~~ THE PERSON
39 to act as their retail agent. While possessing a certificate of
40 registration, a retail agent shall be entitled to purchase and shall
41 accept delivery of spirituous liquors for which ~~he~~ THE RETAIL AGENT is
42 licensed for and on behalf of ~~himself~~ THE RETAIL AGENT and those similarly
43 licensed retailers who have authorized ~~him~~ THE RETAIL AGENT to act as
44 their retail agent with the delivery to be made at the retail agent's
45 licensed premises or other location authorized by the department. On the

1 termination of such authorization by any retailer, the retail agent shall
2 promptly notify the director. ~~Nothing in~~ This section ~~shall~~ DOES NOT
3 require a wholesaler to sell malt beverages to a registered retail agent
4 for distribution to other retailers.

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

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

12 Sec. 14. Section 4-223, Arizona Revised Statutes, is amended to
13 read:

14 4-223. Authority of cities and towns to tax transactions
15 involving spirituous liquors; prohibitions

16 A. In addition to the taxes provided for in this chapter,
17 incorporated cities and towns ~~shall have the power to~~ MAY levy a tax on
18 the privilege of engaging or continuing in the business of selling
19 spirituous liquor at retail within their corporate limits and ~~to~~ MAY
20 impose a permit tax or fee, but this section ~~shall~~ DOES not apply to
21 wholesalers licensed under section 4-209.

22 B. This section ~~shall~~ DOES not ~~be construed to~~ give to incorporated
23 cities and towns power to prohibit the ~~manufacture~~ PRODUCTION, sale,
24 distribution, and disposal of intoxicating liquors.

25 Sec. 15. Repeal

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

27 Sec. 16. Section 4-226, Arizona Revised Statutes, is amended to
28 read:

29 4-226. Exemptions

30 This title does not apply to the following:

31 1. Drugstores selling spirituous liquors only on prescription.
32 2. Any confectionery candy containing less than five percent by
33 weight of alcohol.

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

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

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

43 (c) In the manufacture of denatured alcohol produced and used as
44 provided by the acts of Congress and regulations promulgated under the
45 acts of Congress.

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

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

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

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

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

24 7. NONBEVERAGE PRODUCTS AS DEFINED IN 27 CODE OF FEDERAL
25 REGULATIONS PART 17 AND THAT ARE QUALIFIED BY THE UNITED STATES ALCOHOL
26 AND TOBACCO TAX AND TRADE BUREAU AS NONBEVERAGE PRODUCTS.

27 Sec. 17. Section 4-244, Arizona Revised Statutes, is amended to
28 read:

29 4-244. Unlawful acts; definition

30 It is unlawful:

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

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

38 3. For a distiller, vintner, brewer or wholesaler knowingly to
39 sell, dispose of or give spirituous liquor to any person other than a
40 licensee except in sampling wares as may be necessary in the ordinary
41 course of business, except in donating spirituous liquor to a nonprofit
42 organization that has obtained a special event license for the purpose of
43 charitable fundraising activities or except in donating spirituous liquor
44 with a cost to the distiller, brewer or wholesaler of up to \$500 in a
45 calendar year to an organization that is exempt from federal income taxes

1 under section 501(c) (3), (4), (6) or (7) of the internal revenue code and
2 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 unless there is affixed to both sides
8 of the vehicle a sign showing the name and address of the licensee and the
9 type and number of the person's license in letters not less than three and
10 one-half inches in height.

11 6. For a person to take or solicit orders for spirituous liquors
12 unless the person is a salesman or solicitor of a licensed wholesaler, a
13 salesman or solicitor of a distiller, brewer, vintner, importer or broker
14 or a registered retail agent.

15 7. For any retail licensee to purchase spirituous liquors from any
16 person other than a solicitor or salesman of a wholesaler licensed in this
17 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. This
26 paragraph does not prohibit the employment by an off-sale retailer of
27 persons who are at least sixteen years of age to check out, if supervised
28 by a person on the premises who is at least eighteen years of age, package
29 or carry merchandise, including spirituous liquor, in unbroken packages,
30 for the convenience of the customer of the employer, if the employer sells
31 primarily merchandise other than spirituous liquor.

32 10. For a licensee to employ a person under eighteen years of age
33 to ~~manufacture~~, sell or dispose of spirituous liquors. This paragraph
34 does not prohibit the employment by an off-sale retailer of persons who
35 are at least sixteen years of age to check out, if supervised by a person
36 on the premises who is at least eighteen years of age, package or carry
37 merchandise, including spirituous liquor, in unbroken packages, for the
38 convenience of the customer of the employer, if the employer sells
39 primarily merchandise other than spirituous liquor.

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

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

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

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

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

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

26 (d) An unpaid volunteer who is a bona fide member of a club and who
27 is not engaged in waiting on or serving spirituous liquor to customers may
28 purchase for himself and consume spirituous liquor while participating in
29 a scheduled event at the club. An unpaid participant in a food
30 competition may purchase for himself and consume spirituous liquor while
31 participating in the food competition.

32 (e) An unpaid volunteer of a special event licensee under section
33 4-203.02 may purchase and consume spirituous liquor while not engaged in
34 waiting on or serving spirituous liquor to customers at the special event.
35 This subdivision does not apply to an unpaid volunteer whose
36 responsibilities include verification of a person's legal drinking age,
37 security or the operation of any vehicle or heavy machinery.

38 (f) A representative of a producer or wholesaler participating at a
39 special event under section 4-203.02 may consume small amounts of the
40 products of the producer or wholesaler on the premises of the special
41 event for the purpose of quality control.

42 14. For a licensee or other person to serve, sell or furnish
43 spirituous liquor to a disorderly or obviously intoxicated person, or for
44 a licensee or employee of the licensee to allow a disorderly or obviously
45 intoxicated person to come into or remain on or about the premises, except

1 that a licensee or an employee of the licensee may allow an obviously
2 intoxicated person to remain on the premises for not more than thirty
3 minutes after the state of obvious intoxication is known or should be
4 known to the licensee for a nonintoxicated person to transport the
5 obviously intoxicated person from the premises. For the purposes of this
6 section, "obviously intoxicated" means inebriated to the extent that a
7 person's physical faculties are substantially impaired and the impairment
8 is shown by significantly uncoordinated physical action or significant
9 physical dysfunction that would have been obvious to a reasonable person.

10 15. For an on-sale or off-sale retailer or an employee of such
11 retailer or an alcohol delivery contractor to sell, dispose of, deliver or
12 give spirituous liquor to a person between the hours of 2:00 a.m. and
13 6:00 a.m., except that:

14 (a) A retailer with off-sale privileges may receive and process
15 orders, accept payment or package, load or otherwise prepare spirituous
16 liquor for delivery at any time, if the actual deliveries to customers are
17 made between the hours of 6:00 a.m. and 2:00 a.m., at which time section
18 4-241, subsections A and K apply.

19 (b) The governor, in consultation with the governor's office of
20 highway safety and the public safety community in this state, may issue an
21 executive order that extends the closing time until 3:00 a.m. for
22 spirituous liquor sales in connection with a professional or collegiate
23 national sporting championship event held in this state.

24 16. For a licensee or employee to knowingly allow any person on or
25 about the licensed premises to give or furnish any spirituous liquor to
26 any person under twenty-one years of age or knowingly allow any person
27 under twenty-one years of age to have in the person's possession
28 spirituous liquor on the licensed premises.

29 17. For an on-sale retailer or an employee of such retailer to
30 allow a person to consume or possess spirituous liquors on the premises
31 between the hours of 2:30 a.m. and 6:00 a.m., except that if the governor
32 extends the closing time for a day for spirituous liquor sales pursuant to
33 paragraph 15 of this section it is unlawful for an on-sale retailer or an
34 employee of such retailer on that day to allow a person to consume or
35 possess spirituous liquor on the premises between the hours of 3:30 a.m.
36 and 6:00 a.m.

37 18. For an on-sale retailer to allow an employee or for an employee
38 to solicit or encourage others, directly or indirectly, to buy the
39 employee drinks or anything of value in the licensed premises during the
40 employee's working hours. An on-sale retailer shall not serve employees
41 or allow a patron of the establishment to give spirituous liquor to,
42 purchase liquor for or drink liquor with any employee during the
43 employee's working hours.

44 19. For an off-sale retailer or employee to sell spirituous liquor
45 except in the original unbroken container, to allow spirituous liquor to

1 be consumed on the premises or to knowingly allow spirituous liquor to be
2 consumed on adjacent property under the licensee's exclusive control.

3 20. For a person to consume spirituous liquor in a public place,
4 thoroughfare or gathering. The license of a licensee allowing a violation
5 of this paragraph on the premises shall be subject to revocation. This
6 paragraph does not apply to the sale of spirituous liquors on the premises
7 of and by an on-sale retailer. This paragraph also does not apply to a
8 person consuming beer or wine from a broken package in a public recreation
9 area or on private property with permission of the owner or lessor or on
10 the walkways surrounding such private property or to a person consuming
11 beer or wine from a broken package in a public recreation area as part of
12 a special event or festival that is conducted under a license secured
13 pursuant to section 4-203.02 or 4-203.03.

14 21. For a person to possess or to transport spirituous liquor that
15 is ~~manufactured~~ PRODUCED in a distillery, winery, brewery or rectifying
16 plant contrary to the laws of the United States and this state. Any
17 property used in transporting such spirituous liquor shall be forfeited to
18 the state and shall be seized and disposed of as provided in section
19 4-221.

20 22. For an on-sale retailer or employee to allow a person under the
21 legal drinking age to remain in an area on the licensed premises during
22 those hours in which its primary use is the sale, dispensing or
23 consumption of alcoholic beverages after the licensee, or the licensee's
24 employees, know or should have known that the person is under the legal
25 drinking age. An on-sale retailer may designate an area of the licensed
26 premises as an area in which spirituous liquor will not be sold or
27 consumed for the purpose of allowing underage persons on the premises if
28 the designated area is separated by a physical barrier and at no time will
29 underage persons have access to the area in which spirituous liquor is
30 sold or consumed. A licensee or an employee of a licensee may require a
31 person who intends to enter a licensed premises or a portion of a licensed
32 premises where persons under the legal drinking age are prohibited under
33 this section to exhibit an instrument of identification that is acceptable
34 under section 4-241 as a condition of entry or may use a biometric
35 identity verification device to determine the person's age as a condition
36 of entry. The director, or a municipality, may adopt rules to regulate
37 the presence of underage persons on licensed premises provided the rules
38 adopted by a municipality are more stringent than those adopted by the
39 director. The rules adopted by the municipality shall be adopted by local
40 ordinance and shall not interfere with the licensee's ability to comply
41 with this paragraph. This paragraph does not apply:

42 (a) If the person under the legal drinking age is accompanied by a
43 spouse, parent, grandparent or legal guardian of legal drinking age or is
44 an on-duty employee of the licensee.

1 (b) If the owner, lessee or occupant of the premises is a club as
2 defined in section 4-101, paragraph ~~8~~ 9, subdivision (a) and the person
3 under the legal drinking age is any of the following:

4 (i) An active duty military service member.

5 (ii) A veteran.

6 (iii) A member of the United States army national guard or the
7 United States air national guard.

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

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

11 23. For an on-sale retailer or employee to conduct drinking
12 contests, to sell or deliver to a person an unlimited number of spirituous
13 liquor beverages during any set period of time for a fixed price, to
14 deliver more than fifty ounces of beer, one liter of wine or four ounces
15 of distilled spirits in any spirituous liquor drink to one person at one
16 time for that person's consumption or to advertise any practice prohibited
17 by this paragraph. This paragraph does not prohibit an on-sale retailer
18 or employee from selling and delivering an opened, original container of
19 distilled spirits if:

20 (a) Service or pouring of the spirituous liquor is provided by an
21 employee of the on-sale retailer. A licensee shall not be charged for a
22 violation of this paragraph if a customer, without the knowledge of the
23 retailer, removes or tampers with a locking device on a bottle delivered
24 to the customer for bottle service and the customer pours the customer's
25 own drink from the bottle, if when the licensee becomes aware of the
26 removal or tampering of the locking device the licensee immediately
27 installs a functioning locking device on the bottle or removes the bottle
28 and lock from bottle service.

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

32 24. For a licensee or employee to knowingly allow the unlawful
33 possession, use, sale or offer for sale of narcotics, dangerous drugs or
34 marijuana on the premises. For the purposes of this paragraph, "dangerous
35 drug" has the same meaning prescribed in section 13-3401.

36 25. For a licensee or employee to knowingly allow prostitution or
37 the solicitation of prostitution on the premises.

38 26. For a licensee or employee to knowingly allow unlawful gambling
39 on the premises.

40 27. For a licensee or employee to knowingly allow trafficking or
41 attempted trafficking in stolen property on the premises.

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

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

14 (a) Hotel or motel guest room accommodations.

15 (b) Exhibiting or displaying a firearm in conjunction with a
16 meeting, show, class or similar event.

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

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

34 (a) Hotel or motel guest room accommodations.

35 (b) Exhibiting or displaying a firearm in conjunction with a
36 meeting, show, class or similar event.

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

40 31. For any person in possession of a firearm while on the licensed
41 premises of an on-sale retailer to consume spirituous liquor. This
42 paragraph does not prohibit the consumption of small amounts of spirituous
43 liquor by an undercover peace officer on assignment to investigate the
44 licensed establishment.

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

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

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

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

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

21 (ii) The container is sealed and displays a government warning
22 label.

23 (d) A bar or liquor store licensee that prepares a mixed cocktail
24 or a restaurant licensee that ~~feases the privilege to sell mixed cocktails~~
25 ~~for consumption off the licensed premises pursuant to section 4-203.06 or~~
26 holds a permit pursuant to section 4-203.07 and section 4-205.02,
27 subsection K and that prepares a mixed cocktail and transfers it to a
28 clean container composed of a material approved by a national sanitation
29 organization with a maximum capacity that does not exceed thirty-two
30 ounces and not for consumption on the premises if all of the following
31 apply:

32 (i) The licensee or licensee's employee fills the container with
33 the mixed cocktail on the licensed premises of the bar, liquor store or
34 restaurant.

35 (ii) The container is tamperproof sealed by the licensee or the
36 licensee's employee and displays a government warning label.

37 (iii) The container clearly displays the bar's, liquor store's or
38 restaurant's logo or name.

39 (iv) For a restaurant licensee licensed pursuant to section
40 4-205.02, the sale of mixed cocktails for consumption off the licensed
41 premises is accompanied by the sale of menu food items for consumption on
42 or off the licensed premises.

43 33. For a person who is obviously intoxicated to buy or attempt to
44 buy spirituous liquor from a licensee or employee of a licensee or to
45 consume spirituous liquor on licensed premises.

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

4 35. For a person who is under twenty-one years of age to operate or
5 be in physical control of a motorized watercraft that is underway while
6 there is any spirituous liquor in the person's body. For the purposes of
7 this paragraph, "underway" has the same meaning prescribed in section
8 5-301.

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

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

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

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

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

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

37 (a) Pursuant to section 4-249, it is a defense that the spirituous
38 liquor was consumed in connection with the bona fide practice of a
39 religious belief or as an integral part of a religious exercise and in a
40 manner not dangerous to public health or safety.

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

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

3 (a) Allow a person who is under twenty-one years of age to enter
4 any portion of the premises where that person is prohibited from entering
5 pursuant to paragraph 22 of this section.

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

8 43. For a person to purchase, offer for sale or use any device,
9 machine or process that mixes spirituous liquor with pure oxygen or
10 another gas to produce a vaporized product for the purpose of consumption
11 by inhalation or to allow patrons to use any item for the consumption of
12 vaporized spirituous liquor.

13 44. For a retail licensee or an employee of a retail licensee to
14 sell spirituous liquor to a person if the retail licensee or employee
15 knows the person intends to resell the spirituous liquor.

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

22 46. For a direct shipment licensee, a farm winery licensee or an
23 employee of those licensees to sell, dispose of, deliver or give
24 spirituous liquor to an individual purchaser between the hours of
25 2:00 a.m. and 6:00 a.m., except that a direct shipment licensee or a farm
26 winery licensee may receive and process orders, accept payment, package,
27 load or otherwise prepare wine for delivery at any time without complying
28 with section 4-241, subsections A and K, if the actual deliveries to
29 individual purchasers are made between the hours of 6:00 a.m. and
30 2:00 a.m. and in accordance with section 4-203.04 for direct shipment
31 licensees and section 4-205.04 for farm winery licensees.

32 47. For a supplier to coerce or attempt to coerce a wholesaler to
33 accept delivery of beer or any other commodity that has not been ordered
34 by the wholesaler or for which the order was canceled. A supplier may
35 impose reasonable inventory requirements on a wholesaler if the
36 requirements are made in good faith and are generally applied to other
37 similarly situated wholesalers that have an agreement with the supplier.

38 Sec. 18. Section 42-3001, Arizona Revised Statutes, is amended to
39 read:

40 42-3001. Definitions

41 In this chapter, unless the context otherwise requires:

42 1. "Affix" and "affixed" include imprinting tax meter stamps on
43 packages and individual containers as authorized by the department.

44 2. "BEER" HAS THE SAME MEANING PRESCRIBED IN SECTION 4-101.

1 ~~2.~~ 3. "Brand family" has the same meaning prescribed in section
2 44-7111.

3 ~~3.~~ 4. "Cavendish" means a tobacco product that is smoked from a
4 pipe and that meets one of the following criteria:

5 (a) Is described as cavendish, as containing cavendish or as a
6 cavendish blend on its packaging, labeling or promotional materials.

7 (b) Appears to have been processed or manufactured with an amount
8 of flavorings and humectants that exceeds twenty percent of the weight of
9 the tobacco contained in the product.

10 (c) Appears to be blended with or contain a tobacco product
11 described in subdivision (b) of this paragraph.

12 ~~4.~~ 5. "Cider" ~~means vinous liquor that is made from the normal~~
13 ~~alcoholic fermentation of the juice of sound, ripe apples, pears or other~~
14 ~~pome fruit, including flavored, sparkling and carbonated cider and cider~~
15 ~~made from condensed apple, pear or other pome fruit must, and that~~
16 ~~contains more than one-half of one percent of alcohol by volume but not~~
17 ~~more than seven percent of alcohol by volume.~~ HAS THE SAME MEANING
18 PRESCRIBED IN SECTION 4-101.

19 ~~5.~~ 6. "Cigar" means any roll of tobacco wrapped in leaf tobacco or
20 in any substance containing tobacco other than any roll of tobacco that is
21 a cigarette, as defined in paragraph ~~6~~ 7, subdivision (b) of this
22 section.

23 ~~6.~~ 7. "Cigarette" means either of the following:

24 (a) Any roll of tobacco wrapped in paper or any substance not
25 containing tobacco.

26 (b) Any roll of tobacco wrapped in any substance containing tobacco
27 that, because of its appearance, the type of tobacco used in the filler or
28 its packaging and labeling, is likely to be offered to or purchased by a
29 consumer as a cigarette described in subdivision (a) of this paragraph.
30 This subdivision shall be interpreted consistently with the classification
31 guidelines established by the federal alcohol and tobacco tax and trade
32 bureau.

33 ~~7.~~ 8. "Consumer" means a person in this state that comes into
34 possession of any luxury subject to the tax imposed by this chapter and
35 that, on coming into possession of the luxury, is not a distributor
36 intending to sell or distribute the luxury, a retailer or a wholesaler.

37 ~~8.~~ 9. "Craft distiller" ~~means a distiller in the United States or~~
38 ~~in a territory or possession of the United States that holds a license~~
39 ~~pursuant to section 4-205.10.~~ HAS THE SAME MEANING PRESCRIBED IN SECTION
40 4-101.

41 ~~9.~~ 10. "Distributor" means any person that manufactures, produces,
42 ships, transports or imports into this state or in any manner acquires or
43 possesses for the purpose of making the first sale of the following:

44 (a) Cigarettes without Arizona tax stamps affixed as required by
45 this article.

(b) Roll-your-own tobacco or other tobacco products on which the taxes have not been paid as required by this chapter.

~~10.~~ 11. "Farm winery" has the same meaning prescribed in section 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.~~

(a) MEANS ANY BEVERAGE THAT IS OBTAINED BY THE ALCOHOLIC FERMENTATION, INFUSION OR DECOCTION OF BARLEY MALT, HOPS, RICE, BRAN OR OTHER GRAIN, GLUCOSE, SUGAR OR MOLASSES, OR ANY COMBINATION OF THEM, AND MAY INCLUDE, AS ADJUNCTS IN FERMENTATION, HONEY, FRUIT, FRUIT JUICE, FRUIT CONCENTRATE, HERBS, SPICES AND OTHER FOOD MATERIALS.

(b) INCLUDES BEER THAT IS AGED IN AN EMPTY WOODEN BARREL PREVIOUSLY USED TO CONTAIN WINE OR DISTILLED SPIRITS AND AS SUCH IS NOT CONSIDERED A DILUTION OR MIXTURE OF ANY OTHER SPIRITUOUS LIQUOR.

~~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.

~~21.~~ 22. "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.~~ 23. "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.

~~23.~~ 24. "Smoking tobacco":

(a) Means any tobacco that, because of its appearance, type, packaging, labeling or promotion, is suitable for use and likely to be offered to or purchased by consumers as tobacco for making cigarettes or otherwise consumed by burning. ~~Smoking tobacco~~

(b) Includes pipe tobacco and roll-your-own tobacco.

~~24.~~ 25. "Spirituous liquor" ~~means any liquid that contains more than one-half of one percent alcohol by volume, that is produced by distillation of any fermented substance and that is used or prepared for use as a beverage. Spirituous liquor does not include medicines that are unsuitable for beverage purposes.~~ HAS THE SAME MEANING PRESCRIBED IN SECTION 4-101.

~~25.~~ 26. "Tobacco product manufacturer" has the same meaning prescribed in section 44-7101.

~~26.~~ 27. "Tobacco products" means all luxuries included in section 42-3052, paragraphs 5 through 9.

~~27.~~ 28. "Vehicle" means a device in, on or by which a person or property is or may be transported or drawn on the roads of this state regardless of the means by which it is propelled or whether it runs on a track.

~~28.~~ 29. "Vinous 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 of grapes, berries, fruits, vegetables or other substances.~~

(a) MEANS THE PRODUCT OBTAINED BY THE FERMENTATION OF GRAPES, OTHER AGRICULTURAL PRODUCTS THAT CONTAIN NATURAL OR ADDED SUGAR OR CIDER OR ANY SUCH ALCOHOLIC BEVERAGE FORTIFIED WITH GRAPE BRANDY AND THAT CONTAINS NOT MORE THAN TWENTY-FOUR PERCENT OF ALCOHOL BY VOLUME.

(b) DOES NOT INCLUDE:

~~(a)~~ (i) Liquids in which hops or grains are used in the process of fermentation.

~~(b)~~ (ii) Liquids made by the process of distillation of hops or grains.

~~(c)~~ (iii) Medicines that are unsuitable for beverage purposes.

(iv) CIDER AS DEFINED IN SECTION 4-101.

~~29.~~ 30. "Wholesaler" means a person that sells any spirituous, vinous or malt liquor taxed under this chapter to retail dealers or for the purposes of resale only.

1 Sec. 19. Section 42-3352, Arizona Revised Statutes, is amended to
2 read:

3 42-3352. Reports of distillers and producers

4 A. Every distiller or ~~manufacturer~~ PRODUCER of distilled spirits
5 and vinous and malt liquors that sells any of those products to
6 wholesalers within this state shall maintain in its records a copy of the
7 invoice of the sale, showing in detail:

- 8 1. The kind of liquor or beverage sold.
- 9 2. The quantities of each.
- 10 3. The size of the container and the weight of the contents.
- 11 4. The alcoholic content if required by section 42-3052.
- 12 5. The name of the person, firm or corporation to whom sold.

13 B. A distiller or ~~manufacturer~~ PRODUCER shall make the invoices
14 required to be kept pursuant to subsection A of this section available to
15 the department on request.

16 Sec. 20. Section 42-3355, Arizona Revised Statutes, is amended to
17 read:

18 42-3355. Return and payment by farm wineries, producers,
19 direct shipment licensees, microbreweries and
20 craft distillers

21 A. A farm winery selling vinous liquor at retail or to a retail
22 licensee pursuant to title 4, chapter 2 that is ~~manufactured or~~ produced
23 on the premises, a producer of vinous liquor that sells at retail pursuant
24 to section 4-243.02 or a direct shipment licensee that sells pursuant to
25 section 4-203.04 shall pay the tax under this chapter on all such liquor
26 sold at retail or to a retail licensee within this state and add the
27 amount of the tax to the sales price.

28 B. A microbrewery selling malt liquor at retail or to a retail
29 licensee pursuant to title 4, chapter 2 that is ~~manufactured or~~ produced
30 on the premises or a ~~manufacturer~~ PRODUCER of beer that sells at retail
31 pursuant to section 4-243.02 shall pay the tax under this chapter on all
32 malt liquor sold at retail or to a retail licensee within this state and
33 add the amount of the tax to the sales price.

34 C. A craft distiller selling spirituous liquor at retail or to a
35 retail licensee pursuant to title 4, chapter 2 that is ~~manufactured or~~
36 produced on the premises or a distiller of spirituous liquor that sells at
37 retail pursuant to section 4-243.02 shall pay the tax under this chapter
38 on all spirituous liquor sold at retail or to a retail licensee within
39 this state and add the amount of the tax to the sales price.

40 D. The farm winery, ~~manufacturer~~ PRODUCER, microbrewery, craft
41 distiller or direct shipment licensee shall pay the tax to the department
42 annually on or before the twentieth day of the first month of the year
43 succeeding the year in which the tax accrues.

1 E. On or before that date, the farm winery, ~~manufacturer~~ PRODUCER,
2 microbrewery, craft distiller or direct shipment licensee shall prepare a
3 sworn return for the year in which the tax accrues in the form prescribed
4 by the department, showing:

5 1. The amount of liquors or beer sold in this state during the year
6 in which the tax accrues.

7 2. The amount of tax for the period covered by the return.

8 3. Any other information that the department deems necessary for
9 the proper administration of this chapter.

10 F. The farm winery, ~~manufacturer~~ PRODUCER, microbrewery, craft
11 distiller or direct shipment licensee shall deliver the return, together
12 with a remittance of the amount of the tax due, to the department.

13 G. Any taxpayer that fails to pay the tax within ten days after the
14 date on which the payment becomes due is subject to and shall pay a
15 penalty determined under section 42-1125, plus interest at the rate
16 determined pursuant to section 42-1123 from the time the tax was due and
17 payable until paid.

18 H. For reporting periods beginning from and after December 31,
19 2019, or when the department has established an electronic filing program,
20 whichever is later, each taxpayer shall file electronically any report or
21 return required under this chapter. The report or return is considered to
22 be filed and received by the department on the date of the electronic
23 postmark pursuant to section 42-1105.02.

24 Sec. 21. Effective date

25 Sections 4-101, 4-201, 4-203, 4-205.02, 4-205.04, 4-205.08,
26 4-205.10, 4-209, 4-212, 4-214, 4-221, 4-222, 4-223, 4-226, 4-244, 42-3001,
27 42-3352 and 42-3355, Arizona Revised Statutes, as amended by this act, are
28 effective from and after December 31, 2026.

APPROVED BY THE GOVERNOR MAY 29, 2026.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 29, 2026.