



STATE OF ARIZONA

JANICE K. BREWER
GOVERNOR

EXECUTIVE OFFICE

April 30, 2014

The Honorable Ken Bennett
Secretary of State
1700 West Washington
Phoenix, Arizona 85007

Re: House Bill 2661 (domestic farm wineries; fruit pomace)

Dear Secretary Bennett,

Today, I vetoed House Bill 2661. This legislation would have modified regulations pertaining to farm winery licenses and would have created a new craft distiller license. Earlier today, I signed Senate Bill 1397, which contains identical provisions found in House Bill 2661. Accordingly, signing House Bill 2661 would be redundant and unnecessary.

These concerns are among the primary reasons I have vetoed House Bill 2661.

Sincerely,

A handwritten signature in cursive script that reads "Janice K. Brewer".

Janice K. Brewer
Governor

cc: The Honorable Andy Tobin
The Honorable Andy Biggs
The Honorable Brenda Barton

Conference Engrossed

State of Arizona
House of Representatives
Fifty-first Legislature
Second Regular Session
2014

HOUSE BILL 2661

AN ACT

AMENDING SECTION 4-205.04, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 4-205.10; RELATING TO LIQUOR LICENSES; PROVIDING FOR CONDITIONAL ENACTMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 4-205.04, Arizona Revised Statutes, is amended to
3 read:

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

6 A. The director may issue a ~~domestic~~ farm winery license to any person
7 who meets the requirements of subsection C of this section. Each location
8 that engages in producing ~~and bottling~~ OR MANUFACTURING these products must
9 obtain a separate ~~domestic~~ farm winery license. The licensee may not
10 transfer the ~~domestic~~ farm winery license from person to person or from
11 location to location.

12 B. An applicant for a ~~domestic~~ farm winery license, at the time of
13 filing the application for the license, shall accompany the application with
14 the license fee. Persons holding a ~~domestic~~ farm winery license shall report
15 annually at the end of each ~~fiscal~~ CALENDAR year, at such time and in such
16 manner as the director may prescribe, the amount of wine PRODUCED OR
17 manufactured by them during the ~~fiscal~~ CALENDAR year. IN ADDITION TO ANY
18 PROVISION OF THIS TITLE, if the total amount of wine PRODUCED OR manufactured
19 during the year exceeds the amount permitted annually by the license, the
20 licensee shall apply for and receive a producer's license ONLY UPON SURRENDER
21 OF THE FARM WINERY LICENSE OR LICENSES.

22 C. A person may be licensed as a ~~domestic~~ farm winery to sell wine
23 produced or manufactured if in a calendar year it produces at least two
24 hundred gallons and not more than forty thousand gallons of wine and IF THE
25 WINERY EITHER HOLDS A WINERY PERMIT ISSUED BY THE UNITED STATES ALCOHOL AND
26 TOBACCO TAX AND TRADE BUREAU OR HAS A CONTRACT PURSUANT TO SUBSECTION E OF
27 THIS SECTION FOR THE PRODUCTION OR MANUFACTURING OF WINE FROM GRAPES OR OTHER
28 FRUIT GROWN ON AT LEAST FIVE PRODUCING ACRES OF LAND OWNED OR CONTROLLED BY
29 THE APPLICANT AND THE LAND HAS BEEN DEVOTED TO FRUIT GROWING FOR AT LEAST
30 THREE CONSECUTIVE CALENDAR YEARS. A LICENSED FARM WINERY may make sales and
31 deliveries of wine only as specifically provided in this section and as
32 follows:

33 1. A licensed ~~domestic~~ farm winery may make sales and deliveries of
34 wine to wholesalers licensed to sell wine under this title.

35 2. A licensed ~~domestic~~ farm winery may serve wine produced or
36 manufactured on the premises for the purpose of sampling the wine. THE WINE
37 MAY INCLUDE WINE PRODUCED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.

38 3. A representative of the licensed ~~domestic~~ farm winery may consume
39 small amounts of the products of the licensed ~~domestic~~ farm winery ON THE
40 PREMISES for the purpose of sampling the wine. THE WINE MAY INCLUDE WINE
41 PRODUCED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.

42 4. A licensed ~~domestic~~ farm winery may sell to a consumer physically
43 present on the premises wine produced or manufactured on the premises in the
44 original container for consumption on or off the premises. THE WINE MAY
45 INCLUDE WINE PRODUCED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.

1 5. A licensed ~~domestic~~ farm winery may purchase and sell wine produced
2 by another licensed ~~domestic~~ farm winery FOR CONSUMPTION ON OR OFF THE
3 PREMISES only if the retail sale is to a consumer physically present on the
4 premises of the ~~domestic~~ farm winery, EXCEPT THAT THE SALES OF WINE PRODUCED
5 BY ANOTHER WINERY MAY NOT EXCEED TWENTY PER CENT OF THE FARM WINERY'S SALES
6 BY VOLUME. THE PERCENTAGE LIMITATION SHALL NOT APPLY TO WINE PRODUCED
7 PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.

8 6. If the licensed ~~domestic~~ farm winery is not otherwise engaged in
9 the business of a distiller, vintner, brewer, rectifier, blender or other
10 producer of spirituous liquor in any jurisdiction, the licensed ~~domestic~~ farm
11 winery may hold licenses prescribed in section 4-209, subsection B,
12 ~~paragraphs 7, 10 and~~ PARAGRAPH 12 on the licensed ~~domestic~~ farm winery
13 premises or other retail premises. EXCEPT AS PROVIDED IN PARAGRAPH 5 OF THIS
14 SUBSECTION, the licensed ~~domestic~~ farm winery shall purchase all OTHER
15 spirituous liquor for sale at the ~~other~~ on-sale retail premises from
16 wholesalers ~~who~~ THAT are licensed in this state, except that a licensed
17 ~~domestic~~ farm winery may:

18 (a) Purchase wine from other ~~domestic~~ farm wineries pursuant to
19 paragraph 7 of this subsection.

20 (b) Make deliveries of the wine that the ~~domestic~~ farm winery produces
21 to the ~~domestic~~ farm winery's own commonly controlled retail licensed
22 premises.

23 7. A licensed ~~domestic~~ farm winery that produces not more than twenty
24 thousand gallons of wine in a calendar year may make sales and deliveries of
25 the wine that the licensed ~~domestic~~ farm winery produces to on-sale and
26 off-sale retailers.

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

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

35 (a) The purchaser of the wine provided the licensed ~~domestic~~ farm
36 winery with verification of the purchaser's legal age to purchase alcohol.

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

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

41 (d) The wine is DELIVERED BY THE LICENSED FARM WINERY OR shipped BY
42 THE LICENSED FARM WINERY BY A COMMON CARRIER to a residential or business
43 address other than a premises licensed pursuant to this title.

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

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

3 (g) The ~~domestic~~ farm winery shall collect payment for the price of
4 the spirituous liquor no later than at the time of delivery.

5 10. A licensed ~~domestic~~ farm winery may make sales and deliveries as
6 expressly permitted by sections 4-203.03, 4-203.04 and 4-244.04.

7 D. ON APPLICATION BY ONE OR MORE PERSONS, THE DIRECTOR MAY APPROVE
8 APPLICATIONS FOR GROUPING TWO OR MORE FARM WINERY LICENSES AT ONE LOCATION
9 UNDER A PLAN OF ALTERNATING PROPRIETORSHIPS IF A LICENSED WINERY HAS RECEIVED
10 APPROVAL OF THE ALTERNATING PROPRIETORSHIP BY THE UNITED STATES ALCOHOL AND
11 TOBACCO TAX AND TRADE BUREAU AND THE PARTICIPATING WINERIES OPERATE UNDER THE
12 REGULATIONS AND GUIDELINES THAT ARE ISSUED BY THE UNITED STATES ALCOHOL AND
13 TOBACCO TAX AND TRADE BUREAU. EACH PARTICIPATING WINERY SHALL BE RESPONSIBLE
14 FOR FILING ALL REPORTS THAT RELATE TO ITS WINE PRODUCTION OR MANUFACTURING
15 WITH THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU AND THE
16 DEPARTMENT.

17 E. A PERSON OTHERWISE QUALIFIED TO RECEIVE A FARM WINERY LICENSE MAY
18 ENTER INTO A CUSTOM CRUSH ARRANGEMENT WHERE A LICENSED WINERY PRODUCES OR
19 MANUFACTURES WINE FROM GRAPES OR OTHER FRUIT SUPPLIED BY THE PERSON. THE
20 WINERY RECEIVING THE FRUIT SHALL BE LICENSED BY THE UNITED STATES ALCOHOL AND
21 TOBACCO TAX AND TRADE BUREAU AND THE DEPARTMENT AND SHALL BE RESPONSIBLE FOR
22 FILING ALL REPORTS THAT RELATE TO ITS WINE PRODUCTION OR MANUFACTURING WITH
23 THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU AND THE
24 DEPARTMENT. EACH PERSON SUPPLYING THE GRAPES OR OTHER FRUIT SHALL FIRST
25 APPLY FOR AND RECEIVE A FARM WINERY LICENSE AND SHALL REPORT ALL VOLUMES OF
26 WINE FROM ITS CUSTOM CRUSH ARRANGEMENTS TO THE DEPARTMENT, WHICH SHALL NOT BE
27 ALLOCATED TO THE GALLONAGE OF THE RECEIVING WINERY.

28 F. ON APPLICATION BY A FARM WINERY LICENSEE, THE DIRECTOR MAY
29 AUTHORIZE A FARM WINERY LICENSEE TO OPERATE UP TO TWO REMOTE TASTING AND
30 RETAIL PREMISES IF:

31 1. THE WINE SOLD AT THE PREMISES IS LIMITED TO WINE PRODUCED OR
32 MANUFACTURED BY THE LICENSED FARM WINERY AND WINES PRODUCED OR MANUFACTURED
33 BY OTHER LICENSED FARM WINERIES, INCLUDING WINES PRODUCED OR MANUFACTURED
34 PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION. THE FARM WINERY MAY SELL
35 WINE TO A CONSUMER PHYSICALLY PRESENT ON THE PREMISES FOR CONSUMPTION ON OR
36 OFF THE PREMISES. SALES OF WINES NOT PRODUCED OR MANUFACTURED BY THE FARM
37 WINERY SHALL BE LIMITED TO NO MORE THAN TWENTY PER CENT OF THE TOTAL SALES BY
38 VOLUME AT THAT LOCATION. THE PERCENTAGE LIMITATION SHALL NOT APPLY TO WINE
39 PRODUCED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.

40 2. THE FARM WINERY LICENSEE:

41 (a) REMAINS RESPONSIBLE FOR THE PREMISES.

42 (b) OBTAINS APPROVAL FOR THE PREMISES FROM THE LOCAL GOVERNING BODY
43 BEFORE SUBMITTING AN APPLICATION TO THE DEPARTMENT. A COPY OF AN ORDER FROM
44 THE LOCAL GOVERNING BODY RECOMMENDING APPROVAL OF THE PREMISES MUST BE FILED
45 WITH THE DEPARTMENT AS PART OF THE APPLICATION.

1 (c) DOES NOT SUBLEASE THE PREMISES.

2 (d) HAS AN AGENT WHO IS A NATURAL PERSON WHO MEETS THE QUALIFICATIONS
3 OF LICENSURE IN THIS STATE.

4 (e) MEETS THE QUALIFICATIONS FOR A LICENSE PURSUANT TO SECTION 4-203,
5 SUBSECTION A.

6 G. A FARM WINERY LICENSEE MAY HOLD A CRAFT DISTILLERY LICENSE ISSUED
7 PURSUANT TO SECTION 4-205.10. THE FARM WINE AND CRAFT DISTILLERY LICENSEE
8 MAY ONLY PRODUCE DISTILLED SPIRITS UP TO A GALLONAGE OF ONE THOUSAND GALLONS
9 IN A CALENDAR YEAR FROM FRUIT PROCESSED AT THE WINERY FOR THE PRIMARY PURPOSE
10 OF MAKING WINE. THE FARM WINE AND CRAFT DISTILLERY LICENSEE IS SUBJECT TO
11 ALL OTHER REQUIREMENTS OF THIS SECTION AND SECTION 4-205.10. THE FARM WINERY
12 MAY PROVIDE SAMPLING AND SALES OF THE DISTILLED SPIRITS PURSUANT TO SECTION
13 4-205.10, SUBSECTION C, PARAGRAPHS 2 AND 3 ON THE SAME PREMISES AS THE WINE
14 SAMPLING AND RETAIL SALES.

15 ~~D.~~ H. The ~~domestic~~ farm winery is liable for any violation committed
16 in connection with any sale or delivery of the wine. The rules adopted by
17 the director pursuant to section 4-203, subsection J shall apply to the
18 delivery of wine under subsection C, paragraph 9 of this section. An act or
19 omission of any person who makes a sale or delivery of wine for a licensee
20 under subsection C, paragraph 9 of this section is deemed to be an act or
21 omission of the licensee for the purposes of section 4-210, subsection A,
22 paragraph 9.

23 ~~E.~~ I. A ~~domestic~~ farm winery that sells or delivers wine pursuant to
24 this section shall:

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

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

29 ~~F.~~ J. A delivery of wine by a ~~domestic~~ farm winery to a purchaser in
30 this state is a transaction deemed to have occurred in this state.

31 ~~G.~~ K. The director shall adopt rules in order to administer this
32 section.

33 L. THE DIRECTOR MAY CHARGE AN ADDITIONAL FARM WINERY LICENSE FEE
34 ADOPTED PURSUANT TO SECTION 4-209 FOR THE ISSUANCE OF LICENSES,
35 AUTHORIZATIONS OR APPROVALS PURSUANT TO SUBSECTIONS D, E AND F OF THIS
36 SECTION.

37 Sec. 2. Title 4, chapter 2, article 1, Arizona Revised Statutes, is
38 amended by adding section 4-205.10, to read:

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

41 A. THE DIRECTOR MAY ISSUE A CRAFT DISTILLER LICENSE TO ANY PERSON THAT
42 MEETS THE REQUIREMENTS OF SUBSECTION C OF THIS SECTION. EACH LOCATION THAT
43 ENGAGES IN PRODUCING AND BOTTLING THESE PRODUCTS MUST OBTAIN A SEPARATE CRAFT
44 DISTILLER LICENSE. THE LICENSEE MAY NOT TRANSFER THE CRAFT DISTILLER LICENSE
45 FROM PERSON TO PERSON OR FROM LOCATION TO LOCATION AND MAY NOT ALSO HOLD A

1 PRODUCER'S LICENSE. THE LICENSEE AND ALL COMMONLY CONTROLLED CRAFT
2 DISTILLERY LICENSEES MAY NOT MANUFACTURE OR PRODUCE MORE THAN TWENTY THOUSAND
3 GALLONS OF DISTILLED SPIRITS IN A CALENDAR YEAR. FOR THE PURPOSES OF THIS
4 SECTION, "ANNUAL GALLONAGE" SHALL BE THE TOTAL PROOF GALLONS OF FINISHED
5 DISTILLED PRODUCT AVAILABLE FOR WHOLESALE OR RETAIL SALE AS DEFINED BY 26
6 UNITED STATES CODE SECTION 5002 AND RULES ADOPTED PURSUANT TO THIS SECTION OR
7 ITS SUCCESSOR.

8 B. PERSONS HOLDING A CRAFT DISTILLER LICENSE SHALL REPORT ANNUALLY AT
9 THE END OF EACH CALENDAR YEAR, AT SUCH TIME AND IN SUCH MANNER AS THE
10 DIRECTOR MAY PRESCRIBE, THE AMOUNT OF DISTILLED SPIRITS THAT IS PRODUCED OR
11 MANUFACTURED BY THAT LICENSEE DURING THE CALENDAR YEAR. IN ADDITION TO ANY
12 OTHER PROVISION OF THIS TITLE, IF THE TOTAL AMOUNT OF DISTILLED SPIRITS THAT
13 IS PRODUCED OR MANUFACTURED DURING THE YEAR EXCEEDS THE AMOUNT THAT IS
14 PERMITTED ANNUALLY BY THE LICENSE, THE LICENSEE SHALL APPLY FOR AND, UPON
15 QUALIFICATION, RECEIVE A PRODUCER'S LICENSE ONLY ON THE SURRENDER OF THE
16 CRAFT DISTILLER LICENSE AND SHALL HAVE NO CONTINUING RIGHTS AS A CRAFT
17 DISTILLERY LICENSEE UNDER THIS SECTION.

18 C. A PERSON MAY BE LICENSED AS A CRAFT DISTILLER TO SELL DISTILLED
19 SPIRITS THAT ARE PRODUCED OR MANUFACTURED BY THE PERSON IF IN A CALENDAR YEAR
20 THE PERSON PRODUCES OR MANUFACTURES NOT MORE THAN TWENTY THOUSAND GALLONS OF
21 DISTILLED SPIRITS AND MAY MAKE SALES AND DELIVERIES OF DISTILLED SPIRITS ONLY
22 AS SPECIFIED IN THIS SECTION AND SUBJECT TO THE FOLLOWING CRITERIA:

23 1. A LICENSED CRAFT DISTILLER MAY MAKE SALES AND DELIVERIES OF
24 DISTILLED SPIRITS TO WHOLESALERS THAT ARE LICENSED TO SELL DISTILLED SPIRITS
25 UNDER THIS TITLE.

26 2. A LICENSED CRAFT DISTILLER MAY SERVE DISTILLED SPIRITS THAT ARE
27 PRODUCED OR MANUFACTURED ON THE PREMISES FOR THE PURPOSE OF CONSUMPTION ON
28 THE PREMISES AND MAY CHARGE FOR SAMPLES ON THE PREMISES OF THE CRAFT
29 DISTILLER.

30 3. A LICENSED CRAFT DISTILLER MAY SELL DISTILLED SPIRITS THAT ARE
31 PRODUCED OR MANUFACTURED ON THE PREMISES IN THE ORIGINAL CONTAINER FOR
32 CONSUMPTION OFF THE PREMISES TO A CONSUMER WHO IS PHYSICALLY PRESENT ON THE
33 PREMISES.

34 4. THE LICENSED CRAFT DISTILLER MAY HOLD ONE LICENSE PRESCRIBED IN
35 SECTION 4-209, SUBSECTION B, PARAGRAPH 6 OR 12 ON OR ADJACENT TO THE LICENSED
36 CRAFT DISTILLER PREMISES. THE LICENSED CRAFT DISTILLER SHALL PURCHASE ALL
37 OTHER SPIRITUOUS LIQUOR FOR SALE AT THE ON-SALE RETAIL PREMISES FROM
38 WHOLESALERS THAT ARE LICENSED IN THIS STATE, EXCEPT THAT A LICENSED CRAFT
39 DISTILLER MAY:

40 (a) PURCHASE DISTILLED SPIRITS FROM OTHER CRAFT DISTILLERS THAT ARE
41 LICENSED IN THIS STATE. SALES OF CRAFT DISTILLERY PRODUCTS NOT PRODUCED OR
42 MANUFACTURED BY THE CRAFT DISTILLER SHALL BE LIMITED TO NO MORE THAN TWENTY
43 PER CENT OF THE TOTAL SALES BY VOLUME.

44 (b) MAKE DELIVERIES OF THE DISTILLED SPIRITS THAT THE CRAFT DISTILLER
45 MANUFACTURES OR PRODUCES TO ANY COMMONLY CONTROLLED RETAIL LICENSED PREMISES

1 AUTHORIZED PURSUANT TO PARAGRAPH 4 OF THIS SUBSECTION. THE AMOUNT OF THESE
2 DELIVERIES MUST BE INCLUDED IN THE LIMITATION PROVIDED UNDER PARAGRAPH 5 OF
3 THIS SUBSECTION.

4 5. A LICENSED CRAFT DISTILLER THAT PRODUCES NOT MORE THAN ONE THOUSAND
5 ONE HUNDRED EIGHTY NINE GALLONS OF DISTILLED SPIRITS IN A CALENDAR YEAR MAY
6 MAKE SALES AND DELIVERIES OF DISTILLED SPIRITS THAT THE LICENSED CRAFT
7 DISTILLER PRODUCES TO ON-SALE AND OFF-SALE RETAILERS.

8 6. NOTWITHSTANDING SECTION 4-244, PARAGRAPHS 3 AND 7, AN ON-SALE OR
9 OFF-SALE RETAILER MAY PURCHASE AND ACCEPT DELIVERY OF DISTILLED SPIRITS FROM
10 A LICENSED CRAFT DISTILLER PURSUANT TO PARAGRAPH 5 OF THIS SUBSECTION.

11 7. A LICENSED CRAFT DISTILLER MAY MAKE SALES AND DELIVERIES OF
12 DISTILLED SPIRITS THAT THE LICENSED CRAFT DISTILLER MANUFACTURES OR PRODUCES
13 TO CONSUMERS OFF OF THE LICENSED PREMISES IF THE SALE OR DELIVERY IS ORDERED
14 BY TELEPHONE, MAIL, FAX, CATALOGUE, THE INTERNET OR BY OTHER MEANS IF ALL OF
15 THE FOLLOWING CONDITIONS EXIST:

16 (a) THE PURCHASER OF THE DISTILLED SPIRITS PROVIDED THE LICENSED CRAFT
17 DISTILLER WITH VERIFICATION OF THE PURCHASER'S LEGAL AGE TO PURCHASE ALCOHOL
18 AND A COPY OF SAME IS MAINTAINED IN THE RECORDS OF THE CRAFT DISTILLER.

19 (b) THE SHIPPING CONTAINER IN WHICH THE DISTILLED SPIRITS IS SHIPPED
20 IS MARKED TO REQUIRE THE SIGNATURE ON DELIVERY OF AN ADULT WHO IS OF LEGAL
21 AGE TO PURCHASE ALCOHOL AND DELIVERY CONFIRMATION.

22 (c) THE DISTILLED SPIRITS ARE FOR PERSONAL USE ONLY AND NOT FOR
23 RESALE.

24 (d) THE DISTILLED SPIRITS ARE SHIPPED TO A RESIDENTIAL OR BUSINESS
25 ADDRESS OTHER THAN A PREMISES LICENSED PURSUANT TO THIS TITLE.

26 (e) THE PURCHASER COULD HAVE CARRIED THE DISTILLED SPIRITS LAWFULLY
27 INTO OR WITHIN THIS STATE.

28 (f) A PERSON WHO IS AT LEAST TWENTY-ONE YEARS OF AGE MAKES THE
29 DELIVERY.

30 (g) THE CRAFT DISTILLER SHALL COLLECT PAYMENT FOR THE PRICE OF THE
31 SPIRITUOUS LIQUOR NO LATER THAN AT THE TIME OF DELIVERY.

32 (h) SALES DO NOT EXCEED THE LIMITS PROVIDED UNDER PARAGRAPH 5 OF THIS
33 SUBSECTION.

34 D. ON APPLICATION BY A CRAFT DISTILLERY LICENSEE, THE DIRECTOR MAY
35 AUTHORIZE A CRAFT DISTILLERY LICENSEE TO OPERATE ONE OTHER REMOTE TASTING AND
36 RETAIL PREMISES IF:

37 1. THE DISTILLED SPIRITS SOLD AT THE PREMISES IS LIMITED TO DISTILLED
38 SPIRITS PRODUCED OR MANUFACTURED BY THE LICENSED CRAFT DISTILLERY AND
39 DISTILLED SPIRITS PRODUCED OR MANUFACTURED BY ANOTHER LICENSED CRAFT
40 DISTILLERY. THE CRAFT DISTILLERY MAY SELL TO A CONSUMER PHYSICALLY PRESENT
41 ON THE PREMISES DISTILLED SPIRITS PRODUCED BY THE CRAFT DISTILLERY OR BY
42 OTHER LICENSED CRAFT DISTILLERIES IN THE ORIGINAL CONTAINER FOR CONSUMPTION
43 ON OR OFF THE PREMISES. THE SALES OF THE DISTILLED SPIRITS PRODUCED OR
44 MANUFACTURED BY OTHER CRAFT DISTILLERIES SHALL NOT EXCEED TWENTY PER CENT OF
45 THE CRAFT DISTILLERY'S TOTAL SALES BY VOLUME.

- 1 2. THE CRAFT DISTILLERY LICENSEE:
2 (a) REMAINS RESPONSIBLE FOR THE PREMISES.
3 (b) OBTAINS APPROVAL FOR THE PREMISES FROM THE LOCAL GOVERNING BODY
4 BEFORE SUBMITTING AN APPLICATION TO THE DEPARTMENT. A COPY OF AN ORDER FROM
5 THE LOCAL GOVERNING BODY RECOMMENDING APPROVAL OF THE PREMISES MUST BE FILED
6 WITH THE DEPARTMENT AS PART OF THE APPLICATION.
7 (c) DOES NOT SUBLEASE THE PREMISES.
8 (d) HAS AN AGENT WHO SHALL BE A NATURAL PERSON WHO MEETS THE
9 QUALIFICATIONS OF LICENSURE IN THIS STATE.
10 (e) MEETS THE QUALIFICATIONS FOR A LICENSE PURSUANT TO SECTION 4-203,
11 SUBSECTION A.
12 E. THE CRAFT DISTILLER IS LIABLE FOR ANY VIOLATION THAT IS COMMITTED
13 IN CONNECTION WITH ANY SALE OR DELIVERY OF THE DISTILLED SPIRITS. THE RULES
14 ADOPTED BY THE DIRECTOR PURSUANT TO SECTION 4-203, SUBSECTION J APPLY TO THE
15 DELIVERY OF DISTILLED SPIRITS UNDER SUBSECTION C OF THIS SECTION. AN ACT OR
16 OMISSION OF ANY PERSON WHO MAKES A SALE OR DELIVERY OF DISTILLED SPIRITS FOR
17 A LICENSEE UNDER SUBSECTION C OF THIS SECTION IS DEEMED TO BE AN ACT OR
18 OMISSION OF THE LICENSEE FOR THE PURPOSES OF SECTION 4-210, SUBSECTION A,
19 PARAGRAPH 9.
20 F. A CRAFT DISTILLER THAT SELLS OR DELIVERS DISTILLED SPIRITS PURSUANT
21 TO THIS SECTION SHALL:
22 1. PAY TO THE DEPARTMENT OF REVENUE ALL LUXURY TAXES THAT ARE IMPOSED
23 PURSUANT TO TITLE 42, CHAPTER 3 AND ALL TRANSACTION PRIVILEGE OR USE TAXES
24 THAT ARE IMPOSED PURSUANT TO TITLE 42, CHAPTER 5.
25 2. FILE ALL RETURNS OR REPORTS THAT ARE REQUIRED BY LAW.
26 G. A DELIVERY OF DISTILLED SPIRITS BY A CRAFT DISTILLER TO A PURCHASER
27 IN THIS STATE IS A TRANSACTION DEEMED TO HAVE OCCURRED IN THIS STATE.
28 H. THE DIRECTOR MAY ADOPT RULES IN ORDER TO ADMINISTER THIS SECTION.
29 I. THE DIRECTOR MAY CHARGE A FEE ADOPTED PURSUANT TO SECTION 4-209 FOR
30 THE ISSUANCE OF A LICENSE PURSUANT TO THIS SECTION.
31 J. THE DIRECTOR MAY ISSUE A CRAFT DISTILLERY LICENSE TO BE LOCATED ON
32 THE SAME PARCEL OF LAND AS A FARM WINERY LICENSED PURSUANT TO SECTION
33 4-205.04.

34 Sec. 3. Conditional enactment

35 This act does not become effective unless senate bill 1397, fifty-first
36 legislature, second regular session, relating to spirituous liquor licenses,
37 becomes law.

Passed the House March 17, 2014

Passed the Senate April 22, 2014

by the following vote: 56 Ayes,

by the following vote: 27 Ayes,

0 Nays, 3 Not Voting

1 Nays, 2 Not Voting

L. M. Torres
Speaker of the House

K. Bryson
President of the Senate

Cheryl Laube
Chief Clerk of the House

Charmain Bell
Secretary of the Senate

**EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR**

This Bill received by the Governor this

_____ day of _____, 20____

at _____ o'clock _____ M.

Secretary to the Governor

Approved this _____ day of

at _____ o'clock _____ M.

Governor of Arizona

**EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE**

This Bill received by the Secretary of State

this _____ day of _____, 20____

at _____ o'clock _____ M.

Secretary of State

H.B. 2661

HOUSE FINAL PASSAGE
as per Joint Conference

Passed the House April 23, 2014

by the following vote: 54 Ayes,

0 Nays, 6 Not Voting

[Signature]
Speaker of the House

[Signature]
Chief Clerk of the House

SENATE FINAL PASSAGE
as per Joint Conference

Passed the Senate April 23, 2014

by the following vote: 27 Ayes,

1 Nays, 2 Not Voting

[Signature]
President of the Senate

[Signature]
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

24 day of April, 2014

at 9:40 o'clock A M.

[Signature]
Secretary to the Governor

Approved this _____ day of

VETO
at _____ o'clock _____ M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this _____ day of _____, 20____

at _____ o'clock _____ M.

H.B. 2661

Secretary of State