

House Engrossed Senate Bill

FILED
MICHELE REAGAN
SECRETARY OF STATE

State of Arizona
Senate
Fifty-second Legislature
Second Regular Session
2016

CHAPTER 161

SENATE BILL 1373

AN ACT

AMENDING SECTIONS 4-101, 4-202, 4-203, 4-205.02, 4-205.03, 4-205.04, 4-205.05, 4-206.01, 4-207, 4-209, 4-227, 4-227.01, 4-243, 4-244 AND 4-251, ARIZONA REVISED STATUTES; RELATING TO LIQUOR LICENSES.

(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" means an incident consisting of a riot, a brawl
7 or a disturbance, in which bodily injuries are sustained by any person and
8 such injuries would be obvious to a reasonable person, or tumultuous conduct
9 of sufficient intensity as to require the intervention of a peace officer to
10 restore normal order, or an incident in which a weapon is brandished,
11 displayed or used. Act of violence does not include the use of nonlethal
12 devices by a peace officer.

13 2. "Aggrieved party" means a person who resides at, owns or leases
14 property within a one mile radius of a premises proposed to be licensed and
15 who filed a written request with the department to speak in favor of or
16 opposition to the issuance of the license no later than sixty days after the
17 filing of the application or fifteen days after action by the local governing
18 body, whichever is later.

19 3. "Beer" means any beverage obtained by the alcoholic fermentation,
20 infusion or decoction of barley malt, hops, or other ingredients not
21 drinkable, or any combination of them.

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

23 5. "Bona fide guest" means:

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

27 (b) In the case of a club that meets the criteria prescribed in
28 paragraph 7, subdivision (a) of this section, a current member of the armed
29 services of the United States who presents proper military identification and
30 any member of a recognized veterans' organization of the United States and of
31 any country allied with the United States during current or past wars or
32 through treaty arrangements.

33 6. "Broken package" means any container of spirituous liquor on which
34 the United States tax seal has been broken or removed, or from which the cap,
35 cork or seal placed thereupon by the manufacturer has been removed.

36 7. "Club" includes any of the following organizations where the sale
37 of spirituous liquor for consumption on the premises is made to members only:

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

43 (b) A chapter, aerie, parlor, lodge or other local unit of an American
44 national fraternal organization that has, as the owner, lessee or occupant,
45 operated an establishment for fraternal purposes in this state. An American

1 national fraternal organization as used in this subdivision shall actively
2 operate in not less than thirty-six states or have been in active continuous
3 existence for not less than twenty years.

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

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

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

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

36 8. "Company" or "association", when used in reference to a
37 corporation, includes successors or assigns.

38 9. "Control" means the power to direct or cause the direction of the
39 management and policies of an applicant, licensee or controlling person,
40 whether through the ownership of voting securities or a partnership interest,
41 by agreement or otherwise. Control is presumed to exist if a person has the
42 direct or indirect ownership of or power to vote ten ~~per cent~~ PERCENT or more
43 of the outstanding voting securities of the applicant, licensee or
44 controlling person or to control in any manner the election of one or more of
45 the directors of the applicant, licensee or controlling person. In the case

1 of a partnership, control is presumed to mean the general partner or a
2 limited partner who holds ten ~~per-cent~~ PERCENT or more of the voting rights
3 of the partnership. For the purposes of determining the percentage of voting
4 securities owned, controlled or held by a person, there shall be aggregated
5 with the voting securities attributed to the person the voting securities of
6 any other person directly or indirectly controlling, controlled by or under
7 common control with the other person, or by an officer, partner, employee or
8 agent of the person or by a spouse, parent or child of the person. Control
9 is also presumed to exist if a creditor of the applicant, licensee or
10 controlling person holds a beneficial interest in ten ~~per-cent~~ PERCENT or
11 more of the liabilities of the licensee or controlling person. THE
12 PRESUMPTIONS IN THIS PARAGRAPH REGARDING CONTROL ARE REBUTTABLE.

13 10. "Controlling person" means a person directly or indirectly
14 possessing control of an applicant or licensee.

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

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

19 13. "Director" means the director of the department of liquor licenses
20 and control.

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

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

33 16. "Farm winery" means a winery in the United States or in a territory
34 or possession of the United States that holds a license pursuant to section
35 4-205.04.

36 17. "Government license" means a license to serve and sell spirituous
37 liquor on specified premises available only to a state agency, state board,
38 state commission, county, city, town, community college or state university
39 or the national guard or Arizona coliseum and exposition center on
40 application by the governing body of a state agency, state board, state
41 commission, county, city, town, community college or state university or the
42 national guard or Arizona exposition and state fair board.

43 18. "Legal drinking age" means twenty-one years of age or older.

44 19. "License" means a license or an interim retail permit issued
45 pursuant to this title.

1 20. "License fees" means fees collected for license issuance, license
2 application, license renewal, interim permit issuance and license transfer
3 between persons or locations.

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

6 22. "Manager" means a natural person who meets the standards required
7 of licensees and who has authority to organize, direct, carry on, control or
8 otherwise operate a licensed business on a temporary or full-time basis.

9 23. "Microbrewery" means a brewery in the United States or in a
10 territory or possession of the United States that meets the requirements of
11 section 4-205.08.

12 24. "Off-sale retailer" means any person operating a bona fide
13 regularly established retail liquor store selling spirituous liquors, wines
14 and beer, and any established retail store selling commodities other than
15 spirituous liquors and engaged in the sale of spirituous liquors only in the
16 original unbroken package, to be taken away from the premises of the retailer
17 and to be consumed off the premises.

18 25. "On-sale retailer" means any person operating an establishment
19 where spirituous liquors are sold in the original container for consumption
20 on or off the premises or in individual portions for consumption on the
21 premises.

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

24 27. "Premises" or "licensed premises" means the area from which the
25 licensee is authorized to sell, dispense or serve spirituous liquors under
26 the provision of the license. Premises or licensed premises includes a patio
27 that is not contiguous to the remainder of the premises or licensed premises
28 if the patio is separated from the remainder of the premises or licensed
29 premises by a public or private walkway or driveway not to exceed thirty
30 feet, subject to rules the director may adopt to establish criteria for
31 noncontiguous premises.

32 28. "Registered mail" includes certified mail.

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

36 30. "Repeated acts of violence" means: ~~two or more acts of violence~~
37 ~~occurring within seven days, three or more acts of violence occurring within~~
38 ~~thirty days or acts of violence occurring with any other similar frequency~~
39 ~~which the director determines to be unusual or deserving of review.~~

40 (a) FOR LICENSED PREMISES WITH A PERMANENT OCCUPANCY OF TWO HUNDRED OR
41 FEWER PERSONS, TWO OR MORE ACTS OF VIOLENCE OCCURRING WITHIN SEVEN DAYS OR
42 THREE OR MORE ACTS OF VIOLENCE OCCURRING WITHIN THIRTY DAYS.

43 (b) FOR LICENSED PREMISES WITH A PERMANENT OCCUPANCY OF MORE THAN TWO
44 HUNDRED BUT NOT MORE THAN FOUR HUNDRED PERSONS, FOUR OR MORE ACTS OF VIOLENCE
45 WITHIN THIRTY DAYS.

1 (c) FOR LICENSED PREMISES WITH A PERMANENT OCCUPANCY OF MORE THAN FOUR
2 HUNDRED BUT NOT MORE THAN SIX HUNDRED FIFTY PERSONS, FIVE OR MORE ACTS OF
3 VIOLENCE WITHIN THIRTY DAYS.

4 (d) FOR LICENSED PREMISES WITH A PERMANENT OCCUPANCY OF MORE THAN SIX
5 HUNDRED FIFTY BUT NOT MORE THAN ONE THOUSAND FIFTY PERSONS, SIX OR MORE ACTS
6 OF VIOLENCE WITHIN THIRTY DAYS.

7 (e) FOR LICENSED PREMISES WITH A PERMANENT OCCUPANCY OF MORE THAN ONE
8 THOUSAND FIFTY PERSONS, SEVEN OR MORE ACTS OF VIOLENCE WITHIN THIRTY DAYS.

9 (f) FOR THE PURPOSES OF THIS PARAGRAPH, "PERMANENT OCCUPANCY" MEANS
10 THE MAXIMUM OCCUPANCY OF THE BUILDING OR FACILITY AS SET BY THE FIRE MARSHAL
11 FOR THE JURISDICTION IN WHICH THE BUILDING OR FACILITY IS LOCATED.

12 31. "Sell" includes soliciting or receiving an order for, keeping or
13 exposing for sale, directly or indirectly delivering for value, peddling,
14 keeping with intent to sell and trafficking in.

15 32. "Spirituous liquor" includes alcohol, brandy, whiskey, rum,
16 tequila, mescal, gin, wine, porter, ale, beer, any malt liquor or malt
17 beverage, absinthe, a compound or mixture of any of them or of any of them
18 with any vegetable or other substance, alcohol bitters, bitters containing
19 alcohol, any liquid mixture or preparation, whether patented or otherwise,
20 which produces intoxication, fruits preserved in ardent spirits, and
21 beverages containing more than one-half of one ~~per cent~~ PERCENT of alcohol by
22 volume.

23 33. "Vehicle" means any means of transportation by land, water or air,
24 and includes everything made use of in any way for such transportation.

25 34. "Vending machine" means a machine that dispenses merchandise
26 through the means of coin, token, credit card or other nonpersonal means of
27 accepting payment for merchandise received.

28 35. "Veteran" means a person who has served in the United States air
29 force, army, navy, marine corps or coast guard, as an active nurse in the
30 services of the American red cross, in the army and navy nurse corps in time
31 of war, or in any expedition of the armed forces of the United States, and
32 who has received a discharge other than dishonorable.

33 36. "Voting security" means any security presently entitling the owner
34 or holder of the security to vote for the election of directors of an
35 applicant, licensee or controlling person.

36 37. "Wine" means the product obtained by the fermentation of grapes, ~~or~~
37 other agricultural products containing natural or added sugar OR CIDER or any
38 such alcoholic beverage fortified with grape brandy and containing not more
39 than twenty-four ~~per cent~~ PERCENT of alcohol by volume.

40 Sec. 2. Section 4-202, Arizona Revised Statutes, is amended to read:

41 4-202. Qualifications of licensees; application; background
42 information; prior convictions

43 A. Every spirituous liquor licensee, other than a club licensee, a
44 corporation licensee, a limited liability company licensee or an out-of-state
45 licensee, shall be a citizen of the United States and a bona fide resident of

1 this state or a legal resident alien who is a bona fide resident of this
2 state. If a partnership, each partner shall be a citizen of the United
3 States and a bona fide resident of this state or a legal resident alien who
4 is a bona fide resident of this state, except that for a limited partnership
5 an individual general partner is required to meet the qualifications of an
6 individual licensee, a corporate general partner is required to meet the
7 qualifications of a corporate licensee and a limited partner is not required
8 to be a citizen of the United States, a legal resident alien or a bona fide
9 resident of this state. If a corporation or limited liability company, it
10 shall be a domestic corporation or a foreign corporation or a limited
11 liability company that has qualified to do business in this state. A person
12 shall hold a club license, corporation license, limited liability company
13 license, partnership license or out-of-state license through an agent who
14 shall be a natural person and meet the qualifications for licensure, except
15 that an agent for an out-of-state license as specified in section 4-209,
16 subsection B, paragraph 2 need not be a resident of this state. NOTICE OF
17 CHANGE OF AGENT SHALL BE FILED WITH THE DIRECTOR WITHIN THIRTY DAYS AFTER A
18 CHANGE. For the purposes of this subsection, "agent" means a person who is
19 designated by an applicant or licensee to receive communications from the
20 department and to file documents and sign documents for filing with the
21 department on behalf of the applicant or licensee.

22 B. A person shall file an application for a spirituous liquor license
23 on a form prescribed by the director. The director shall require any
24 applicant and may require any controlling person, other than a bank or
25 licensed lending institution, to furnish background information and to submit
26 a full set of fingerprints to the department. The department of liquor
27 licenses and control shall submit the fingerprints to the department of
28 public safety for the purpose of obtaining a state and federal criminal
29 records check pursuant to section 41-1750 and Public Law 92-544. The
30 department of public safety may exchange this fingerprint data with the
31 federal bureau of investigation. If a license is issued or transferred when
32 fees are waived pursuant to section 4-209, subsection I, no additional
33 background check is required if the person has already completed a background
34 investigation in connection with the continuing business.

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

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

1 section 4-205.02, subsection D or section 4-213 until twelve months after the
2 date of the surrender. No license shall be issued to or renewed for any
3 person who, within five years before application, has been convicted of a
4 felony, or convicted of an offense in another state that would be a felony in
5 this state. For a conviction of a corporation to be a basis for a denial
6 under ~~the provisions of~~ this section, the limitations that are provided in
7 section 4-210, subsection A, paragraph 8 shall apply. No corporation shall
8 have its annual license issued or renewed unless it has on file with the
9 department a list of its officers and directors and any stockholders who own
10 ten ~~per cent~~ PERCENT or more of the corporation.

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

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

21 Sec. 3. Section 4-203, Arizona Revised Statutes, is amended to read:
22 4-203. Licenses; issuance; transfer; reversion to state

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

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

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

1 2. The place of business for which issued.
2 3. The purpose for which the liquors may be manufactured or sold.
3 C. A spirituous liquor license issued to a bar, a liquor store or a
4 beer and wine bar shall be transferable as to any permitted location within
5 the same county, provided such transfer meets the requirements of an original
6 application. A spirituous liquor license may be transferred to a person
7 qualified to be a licensee, provided such transfer is pursuant to either
8 judicial decree, nonjudicial foreclosure of a legal or equitable lien,
9 including security interests held by financial institutions pursuant to
10 section 4-205.05, a sale of the license, a bona fide sale of the entire
11 business and stock in trade, or such other bona fide transactions as may be
12 provided for by rule. Any change in ownership of the business of a licensee,
13 directly or indirectly, as defined by rule is deemed a transfer.
14 D. All applications for a new license pursuant to section 4-201 or for
15 a transfer to a new location pursuant to subsection C of this section shall
16 be filed with and determined by the director, except when the governing body
17 of the city or town or the board of supervisors receiving an application
18 pursuant to section 4-201 orders disapproval of the application ~~or makes no~~
19 ~~recommendation~~ or when the director, the state liquor board or any aggrieved
20 party requests a hearing. The application shall then be presented to the
21 state liquor board, and the new license or transfer shall not become
22 effective unless approved by the state liquor board.
23 E. A person who assigns, surrenders, transfers or sells control of a
24 liquor license or business that has a spirituous liquor license shall notify
25 the director within thirty business days after the assignment, surrender,
26 transfer or sale. No spirituous liquor license shall be leased or subleased.
27 A concession agreement entered into under section 4-205.03 is not considered
28 a lease or sublease in violation of this section.
29 F. If a person other than those persons originally licensed acquires
30 control over a license or licensee, the person shall file notice of the
31 acquisition with the director within thirty business days after the
32 acquisition of control and a list of officers, directors or other controlling
33 persons on a form prescribed by the director. All officers, directors or
34 other controlling persons shall meet the qualifications for licensure as
35 prescribed by this title. On request, the director shall conduct a
36 preinvestigation before the assignment, sale or transfer of control of a
37 license or licensee, the reasonable costs of which, not to exceed one
38 thousand dollars, shall be borne by the applicant. The preinvestigation
39 shall determine whether the qualifications for licensure as prescribed by
40 this title are met. On receipt of notice of an acquisition of control or
41 request of a preinvestigation, the director shall forward the notice within
42 fifteen days to the local governing body of the city or town, if the licensed
43 premises is in an incorporated area, or the county, if the licensed premises
44 is in an unincorporated area. The local governing body of the city, town or
45 county may protest the acquisition of control within sixty days based on the

1 capability, reliability and qualification of the person acquiring control.
2 If the director does not receive any protests, the director may protest the
3 acquisition of control or approve the acquisition of control based on the
4 capability, reliability and qualification of the person acquiring control.
5 Any protest shall be set for a hearing before the board. Any transfer shall
6 be approved or disapproved within one hundred five days of AFTER the filing
7 of the notice of acquisition of control. The person who has acquired control
8 of a license or licensee has the burden of an original application at the
9 hearing, and the board shall make its determination pursuant to section 4-202
10 and this section with respect to capability, reliability and qualification.

11 G. A licensee who holds a license in nonuse status for more than five
12 months shall be required to pay a one hundred dollar surcharge for each month
13 thereafter. The surcharge shall be paid at the time the license is returned
14 to active status. A license automatically reverts to the state after being
15 held in continuous nonuse in excess of thirty-six months. The director may
16 waive the surcharge and may extend the time period provided in this
17 subsection for good cause. A license shall not be deemed to have gone into
18 active status if the license is transferred to a location that at the time of
19 or immediately before the transfer had an active license of the same type,
20 unless the licenses are under common ownership or control.

21 H. A restructuring of a licensee's business is an acquisition of
22 control pursuant to subsection F of this section and is a transfer of a
23 spirituous liquor license and not the issuance of a new spirituous liquor
24 license if both of the following apply:

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

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

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

33 J. Notwithstanding subsection B of this section, the holder of a
34 retail license having off-sale privileges may deliver spirituous liquor off
35 of the licensed premises in connection with the sale of spirituous liquor.
36 The licensee may maintain a delivery service and shall be liable for any
37 violation committed in connection with any sale or delivery of spirituous
38 liquor, provided that such delivery is made by an employee who is at least
39 twenty-one years of age. The retail licensee shall collect payment for the
40 price of the spirituous liquor no later than at the time of delivery. The
41 director shall adopt rules that set operational limits for the delivery of
42 spirituous liquors by the holder of a retail license having off-sale
43 privileges. For the purposes of this subsection, an independent contractor
44 or the employee of an independent contractor is deemed to be an employee of

1 the licensee when making a sale or delivery of spirituous liquor for the
2 licensee.

3 K. Except as provided in subsection J of this section, Arizona
4 licensees may transport spirituous liquors for themselves in vehicles owned,
5 leased or rented by such licensee.

6 L. Notwithstanding subsection B of this section, an off-sale retail
7 licensee may provide consumer tasting of wines off of the licensed premises.

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

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

17 O. If a licensed location has not been in use for two years, the
18 location must requalify for a license pursuant to subsection A of this
19 section and shall meet the same qualifications required for issuance of a new
20 license except when the director deems that the nonuse of the location was
21 due to circumstances beyond the licensee's control.

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

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

29 Sec. 4. Section 4-205.02, Arizona Revised Statutes, is amended to
30 read:

31 4-205.02. Restaurant license; issuance; regulatory provisions;
32 expiration; definitions

33 A. The director may issue a restaurant license to any restaurant in
34 this state that is regularly open for the serving of food to guests for
35 compensation and that has suitable kitchen facilities connected with the
36 restaurant for keeping, cooking and preparing foods required for ordinary
37 meals.

38 B. The director shall issue the license in the name of the restaurant
39 ~~upon~~ ON application for the license by the owner or lessee of the restaurant,
40 provided the applicant is otherwise qualified to hold a spirituous liquor
41 license. The holder of such license is subject to the penalties prescribed
42 for any violation of the law relating to alcoholic beverages.

43 C. The holder of a restaurant license may sell and serve spirituous
44 liquors solely for consumption on the licensed premises. For the purpose of
45 this subsection, "licensed premises" may include rooms, areas or locations in

1 which the restaurant normally sells or serves spirituous liquors pursuant to
2 regular operating procedures and practices and that are contiguous to the
3 restaurant or a noncontiguous patio pursuant to section 4-101, paragraph
4 ~~26~~ 27. For the purposes of this subsection, a restaurant licensee must
5 submit proof of tenancy or permission from the landowner or lessor for all
6 property to be included in the licensed premises.

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

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

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

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

33 H. A RESTAURANT APPLICANT OR LICENSEE MAY APPLY FOR A PERMIT ALLOWING
34 FOR THE SALE OF BEER FOR CONSUMPTION OFF THE LICENSED PREMISES PURSUANT TO
35 SECTION 4-244, PARAGRAPH 32, SUBDIVISION (c) ON A FORM PRESCRIBED AND
36 FURNISHED BY THE DIRECTOR. THE DEPARTMENT SHALL NOT ISSUE A PERMIT TO A
37 RESTAURANT APPLICANT OR LICENSEE THAT DOES NOT MEET THE REQUIREMENTS IN
38 SECTION 4-207, SUBSECTION A. THE PROVISIONS OF SECTION 4-207, SUBSECTION B
39 DO NOT APPLY TO THIS SUBSECTION. THE PERMIT SHALL BE ISSUED ONLY AFTER THE
40 DIRECTOR HAS DETERMINED THAT THE PUBLIC CONVENIENCE REQUIRES AND THAT THE
41 BEST INTEREST OF THE COMMUNITY WILL BE SUBSTANTIALLY SERVED BY THE ISSUANCE
42 OF THE PERMIT, CONSIDERING THE SAME CRITERIA ADOPTED BY THE DIRECTOR FOR
43 ISSUING A RESTAURANT LICENSE DESCRIBED IN SECTION 4-209, SUBSECTION B,
44 PARAGRAPH 12. THE AMOUNT OF BEER SOLD UNDER THE PERMIT SHALL NOT EXCEED TEN
45 PERCENT OF GROSS REVENUE OF SPIRITUOUS LIQUOR SOLD BY THE ESTABLISHMENT.

1 AFTER THE PERMIT HAS BEEN ISSUED, THE PERMIT SHALL BE NOTED ON THE LICENSE
2 ITSELF AND IN THE RECORDS OF THE DEPARTMENT. THE DIRECTOR MAY CHARGE A FEE
3 FOR PROCESSING THE APPLICATION FOR THE PERMIT AND A RENEWAL FEE.

4 H. I. For the purposes of this section:

5 1. "Gross revenue" means the revenue derived from all sales of food
6 and spirituous liquor on the licensed premises, regardless of whether the
7 sales of spirituous liquor are made under a restaurant license issued
8 pursuant to this section or under any other license that has been issued for
9 the premises pursuant to this article.

10 2. "Restaurant" means an establishment that derives at least forty ~~per~~
11 ~~cent~~ PERCENT of its gross revenue from the sale of food, including sales of
12 food for consumption off the licensed premises if the amount of these sales
13 included in the calculation of gross revenue from the sale of food does not
14 exceed fifteen ~~per-cent~~ PERCENT of all gross revenue of the restaurant.

15 Sec. 5. Section 4-205.03, Arizona Revised Statutes, is amended to
16 read:

17 4-205.03. Government license; issuance; regulatory provisions;
18 agreements with coliseum concessionaires;
19 definitions

20 A. The department may issue a government license to any state agency,
21 state board, state commission, county, city, town, community college or state
22 university, the national guard or the Arizona exposition and state fair board
23 on application authorized by the governing body of the state agency, state
24 board, state commission, county, city, town, community college or state
25 university, the national guard or the Arizona exposition and state fair
26 board.

27 B. If the department issues the license, it shall be issued in the
28 name of the state agency, state board, state commission, county, city, town,
29 community college or state university, the national guard or the Arizona
30 coliseum and exposition center. No application shall be filed unless
31 authorized by the respective governing body. The application shall designate
32 for each location a manager or other individual responsible for administering
33 the license. The state agency, state board, state commission, county, city,
34 town, community college or state university, the national guard or the
35 Arizona exposition and state fair board shall give notice to the department
36 within ten days ~~of~~ AFTER any change in the designee. The state agency, state
37 board, state commission, county, city, town, community college or state
38 university, the national guard or the Arizona coliseum and exposition center
39 to which a license is issued is subject to the fine or penalty prescribed for
40 any violation of the statutes relating to alcoholic beverages.

41 C. The holder of a government license may sell and serve spirituous
42 liquors solely for consumption on the premises for which the license is
43 issued. A separate license is required for each premises on which spirituous
44 liquors are served. A single premises licensed under this section may
45 consist of not more than one dock area that is designated by a city or town

1 and that is situated on a lake owned by the city or town and not more than
2 thirty boats that are operated on the lake. A dock and boats that comprise a
3 premises under this subsection shall be operated in compliance with
4 subsection G of this section.

5 D. A governing body in possession of a government license may by
6 appropriate legislation or rule authorize the use of the license pursuant to
7 a concession agreement approved by the governing body.

8 E. The department may adopt rules in order to administer this section.

9 F. Any agreement entered into by the Arizona exposition and state fair
10 board allowing an indicated concessionaire to serve alcoholic beverages
11 pursuant to this section shall contain a provision requiring the
12 concessionaire to do both of the following:

13 1. Fully indemnify and hold harmless this state and any of its
14 agencies, boards, commissions, officers and employees against any liability
15 for loss or damage incurred either on or off state property and resulting
16 from the negligent serving of alcoholic beverages by the concessionaire or
17 the concessionaire's agents or employees.

18 2. Post a surety bond in favor of this state in an amount determined
19 by the Arizona exposition and state fair board to be sufficient to indemnify
20 this state against the potential liability or name this state as an
21 additional insured in a liability policy that provides sufficient coverage to
22 indemnify this state as determined by the Arizona exposition and state fair
23 board.

24 G. The following apply to the operation of a dock and boats as a
25 licensed premises pursuant to subsection C of this section:

26 1. Liquor may be sold only for consumption on the premises in
27 conjunction with consumption of food.

28 2. Liquor shall not be served or consumed on the dock. Liquor shall
29 not be served on a boat earlier than fifteen minutes before the boat is
30 scheduled to depart from the dock and shall not be served after a boat
31 returns to the dock.

32 3. A person shall not be served more than ~~thirty-two~~ FIFTY ounces of
33 beer, one liter of wine or four ounces of distilled spirits AT ONE TIME while
34 the person is on a boat.

35 4. A person shall not bring spirituous liquor onto a boat other than
36 liquor purchased by the licensee or a concessionaire for resale under ~~the~~
37 ~~provisions of~~ this title.

38 5. The pilot of each boat, all crew members and all persons who sell
39 or serve spirituous liquor on each boat are deemed employees of the licensee
40 for purposes of this title.

41 6. The pilot of each boat shall either have a current and valid coast
42 guard operator's license or shall have successfully completed a safety and
43 operator training course approved by the city or town.

44 7. Spirituous liquor shall not be served, consumed or possessed by a
45 customer on the boat between the hours of 11:00 p.m. and 5:00 p.m.

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

3 2. A licensed farm winery may serve wine produced or manufactured on
4 the premises for the purpose of sampling the wine. The wine may include wine
5 produced pursuant to subsections D and E of this section.

6 3. A representative of the licensed farm winery may consume small
7 amounts of the products of the licensed farm winery on the premises for the
8 purpose of sampling the wine. The wine may include wine produced pursuant to
9 subsections D and E of this section.

10 4. A licensed farm winery may sell to a consumer physically present on
11 the premises wine produced or manufactured on the premises in the original
12 container for consumption on or off the premises. The wine may include wine
13 produced pursuant to subsections D and E of this section.

14 5. A licensed farm winery may purchase and sell wine produced by
15 another licensed farm winery for consumption on or off the premises only if
16 the retail sale is to a consumer physically present on the premises of the
17 farm winery, except that the sales of wine produced by another winery may not
18 exceed twenty ~~per cent~~ PERCENT of the farm winery's sales by volume. The
19 percentage limitation shall not apply to wine produced pursuant to
20 subsections D and E of this section.

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

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

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

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

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

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

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

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

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

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

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

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

14 (g) The farm winery shall collect payment for the price of the
15 spirituous liquor no later than at the time of delivery.

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

18 D. On application by one or more persons, the director may approve
19 applications for grouping two or more farm winery licenses at one location
20 under a plan of alternating proprietorships if a licensed winery has received
21 approval of the alternating proprietorship by the United States alcohol and
22 tobacco tax and trade bureau and the participating wineries operate under the
23 regulations and guidelines that are issued by the United States alcohol and
24 tobacco tax and trade bureau. Each participating winery shall be responsible
25 for filing all reports that relate to its wine production or manufacturing
26 with the United States alcohol and tobacco tax and trade bureau and the
27 department.

28 E. A person otherwise qualified to receive a farm winery license may
29 enter into a custom crush arrangement where a licensed winery produces or
30 manufactures wine from grapes or other fruit supplied by the person. The
31 winery receiving the fruit shall be licensed by the United States alcohol and
32 tobacco tax and trade bureau and the department and shall be responsible for
33 filing all reports that relate to its wine production or manufacturing with
34 the United States alcohol and tobacco tax and trade bureau and the
35 department. Each person supplying the grapes or other fruit shall first
36 apply for and receive a farm winery license and shall report to the
37 department all volumes of wine from its custom crush arrangements, which
38 shall not be allocated to the gallonage of the receiving FARM winery IF THE
39 SUPPLYING FARM WINERY HAS AN ACTIVE BASIC PERMIT ISSUED BY THE UNITED STATES
40 ALCOHOL AND TOBACCO TAX AND TRADE BUREAU.

41 F. On application by a farm winery licensee, the director may
42 authorize a farm winery licensee to operate up to two remote tasting and
43 retail premises if:

1 1. The wine sold at the premises is limited to wine produced or
2 manufactured by the licensed farm winery and wines produced or manufactured
3 by other licensed farm wineries, including wines produced or manufactured
4 pursuant to subsections D and E of this section. The farm winery may sell
5 wine to a consumer physically present on the premises for consumption on or
6 off the premises. Sales of wines not produced or manufactured by the farm
7 winery shall be limited to no more than twenty ~~per cent~~ PERCENT of the total
8 sales by volume at that location. The percentage limitation shall not apply
9 to wine produced pursuant to subsections D and E of this section.

10 2. The farm winery licensee:

11 (a) Remains responsible for the premises.

12 (b) Obtains approval for the premises from the local governing body
13 before submitting an application to the department. A copy of an order from
14 the local governing body recommending approval of the premises must be filed
15 with the department as part of the application.

16 (c) Does not sublease the premises.

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

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

21 G. A farm winery licensee may hold a craft ~~distillery~~ DISTILLER
22 license issued pursuant to section 4-205.10. The farm ~~wine~~ WINERY and craft
23 ~~distillery~~ DISTILLER licensee may only produce distilled spirits up to a
24 gallonage of one thousand gallons in a calendar year from fruit processed at
25 the winery for the primary purpose of making wine. The farm ~~wine~~ WINERY and
26 craft ~~distillery~~ DISTILLER licensee is subject to all other requirements of
27 this section and section 4-205.10. The farm winery may provide sampling and
28 sales of the distilled spirits pursuant to section 4-205.10, subsection C,
29 paragraphs 2 and 3 on the same premises as the wine sampling and retail
30 sales.

31 H. The farm winery is liable for any violation committed in connection
32 with any sale or delivery of the wine. The rules adopted by the director
33 pursuant to section 4-203, subsection J shall apply to the delivery of wine
34 under subsection C, paragraph 9 of this section. An act or omission of any
35 person who makes a sale or delivery of wine for a licensee under subsection
36 C, paragraph 9 of this section is deemed to be an act or omission of the
37 licensee for the purposes of section 4-210, subsection A, paragraph 9.

38 I. A farm winery that sells or delivers wine pursuant to this section
39 shall:

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

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

44 J. A delivery of wine by a farm winery to a purchaser in this state is
45 a transaction deemed to have occurred in this state.

1 K. The director shall adopt rules in order to administer this section.

2 L. The director may charge an additional farm winery license fee
3 adopted pursuant to section 4-209 for the issuance of licenses,
4 authorizations or approvals pursuant to subsections D, E and F of this
5 section.

6 Sec. 7. Section 4-205.05, Arizona Revised Statutes, is amended to
7 read:

8 4-205.05. Disposal of seized or recovered liquor

9 A. The director may issue a temporary permit authorizing the disposal
10 at public auction of spirituous liquor that has been seized by any agency of
11 this state, the federal government, any political subdivision of this state,
12 any financial institution as defined in section 6-101 that has a security
13 interest in a license or the federal government pursuant to statute. A bid
14 at a public auction shall not be accepted from a licensee if the spirituous
15 liquors offered for sale at the auction were seized from that licensee. The
16 director shall issue the permit only if presented with proper documents of
17 seizure by the appropriate official. The director may dispose of seized
18 spirituous liquor in whole or in part by public auction, by providing the
19 spirituous liquor to law enforcement for training AND INVESTIGATION purposes
20 only, ~~or both~~, or by authorizing a qualified person to recycle the spirituous
21 liquor.

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

28 Sec. 8. Section 4-206.01, Arizona Revised Statutes, is amended to
29 read:

30 4-206.01. Bar, beer and wine bar or liquor store licenses;
31 number permitted; fee; sampling privileges

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

35 B. In each county, the director, each year, shall issue additional
36 bar, beer and wine bar or liquor store licenses at the rate of one of each
37 type for each additional ten thousand person increase over the population in
38 that county as of July 1, 2010. Any licenses that have been revoked or
39 reverted in any county after July 1, 2014 may be reissued by the director in
40 the county of their issuance. The director may waive the issuance of any
41 series of new, revoked or reverted licenses in a county for one year where
42 there has been no request made to the department for the issuance of a new
43 license of that series. For the purposes of this subsection, the population
44 of a county is deemed to be the population estimated by the office of

1 employment and population statistics within the Arizona department of
2 administration as of July 1 of each year.

3 C. A person issued a license authorized by subsection B of this
4 section shall pay an additional issuance fee equal to the license's fair
5 market value that shall be paid to the state general fund. The fair market
6 value shall be defined to mean the mean value of licenses of the same type
7 sold on the open market in the same county during the prior twelve months,
8 but if there are not three or more sales then the fair market value shall be
9 determined by two appraisals furnished to the department by independent
10 professional appraisers employed by the director.

11 D. The director shall employ professional appraisal services to
12 determine the fair market value of bar, beer and wine bar or liquor store
13 licenses.

14 E. If more than one person applies for an available license, a
15 priority of applicants shall be determined by a random selection method
16 prescribed by the director.

17 F. After January 1, 2011, bar licenses and beer and wine bar licenses
18 shall be issued and used only if the clear primary purpose and actual primary
19 use is for on-sale retailer privileges. The off-sale privileges associated
20 with a bar license and a beer and wine bar license shall be limited to use,
21 which is clearly auxiliary to the active primary on-sale privilege. A bar
22 license or a beer and wine bar license shall not be issued or used if the
23 associated off-sale use, by total retail spirituous liquor sales, exceeds
24 thirty ~~per cent~~ PERCENT of the sales price of on-sale spirituous liquors by
25 the licensee at that location. For dual licenses issued pursuant to a single
26 site or where a second license is issued to a site that already has a
27 spirituous liquor license, other than settlement licenses issued as provided
28 by law, the applicant shall have the burden of establishing that public
29 convenience and the best interest of the community will be served by the
30 issuance of the license.

31 G. The director may issue a beer and wine store license to the holder
32 of a beer and wine bar license simultaneously at the same premises. An
33 applicant for a beer and wine bar license and a beer and wine store license
34 may consolidate the application and may apply for both licenses at the same
35 time. The holder of each license shall fully comply with all applicable
36 provisions of this title. A beer and wine bar license and beer and wine
37 store license on the same premises shall be owned by and issued to the same
38 licensee.

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

1 I. The director may issue a restaurant license to the holder of a beer
2 and wine bar license issued simultaneously at the same premises. An
3 applicant for a restaurant license and a beer and wine bar license may
4 consolidate the application and may apply for both licenses at the same time.
5 The holder of each license shall fully comply with all applicable provisions
6 of this title. A restaurant license and a beer and wine bar license on the
7 same premises shall be owned by and issued to the same licensee. The
8 limitation set forth in subsection F of this section with respect to the
9 off-sale privileges of the beer and wine bar licenses shall be measured
10 against the on-sales of beer and wine sales of the establishment. For the
11 purposes of compliance with section 4-205.02, subsection ~~H~~ I, paragraph 2,
12 it shall be conclusively presumed that all on premises sales of spirituous
13 liquors are made under the authority of the restaurant license.

14 J. An applicant for a liquor store license or a beer and wine store
15 license and the licensee of a liquor store license or a beer and wine store
16 license may apply for sampling privileges associated with the license. Beer
17 and wine store premises shall contain at least five thousand square feet in
18 order to be eligible for sampling privileges. A person desiring a sampling
19 privilege associated with a liquor store license shall apply to the director
20 on a form prescribed and furnished by the director. The application for
21 sampling privileges may be filed for an existing license or may be submitted
22 with an initial license application. The request for sampling approval, the
23 review of the application and the issuance of approval shall be conducted
24 under the same procedures for the issuance of a spirituous liquor license
25 prescribed in section 4-201. After a sampling privilege has been issued for
26 a liquor store license or a beer and wine store license, the sampling
27 privilege shall be noted on the license itself and in the records of the
28 department. The sampling rights associated with a license are not
29 transferable. The director may charge a fee for processing ~~the~~ EACH
30 application for sampling privileges and a renewal fee as provided in this
31 section. A city or town shall not charge any fee relating to the issuance or
32 renewal of a sampling privilege. Notwithstanding section 4-244, paragraph
33 19, a liquor store licensee or a beer and wine store licensee that holds a
34 license with sampling privileges may provide spirituous liquor sampling
35 subject to the following requirements:

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

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

41 3. The licensed retailer shall make sales of sampled products from the
42 licensed retail premises.

43 4. The licensee shall not charge any customer for the sampling of any
44 products.

1 5. The sampling shall be conducted under the supervision of an
2 employee of a sponsoring distiller, vintner, brewer, wholesaler or retail
3 licensee.

4 6. Accurate records of sampling products dispensed shall be retained
5 by the licensee.

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

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

10 K. If a beer and wine bar license and a beer and wine store license
11 are issued at the same premises, for the purposes of reporting liquor
12 purchases under each license, all spirituous beverages purchased for sampling
13 are conclusively presumed to be purchased under the beer and wine bar license
14 and all spirituous liquor sold off-sale are conclusively presumed to be
15 purchased under the beer and wine store license.

16 L. The director may issue a beer and wine store license to the holder
17 of a bar license simultaneously at the same premises. An applicant for a
18 beer and wine store license and a bar license may consolidate the application
19 and may apply for both licenses at the same time. The holder of each license
20 shall fully comply with all applicable provisions of this title. A beer and
21 wine store license and a bar license on the same premises shall be owned by
22 and issued to the same licensee. If a beer and wine store license and a bar
23 license are issued at the same premises, for purposes of reporting liquor
24 purchases under each license, all off-sale beer and wine sales are
25 conclusively presumed to be purchased under the beer and wine store license.

26 Sec. 9. Section 4-207, Arizona Revised Statutes, is amended to read:
27 4-207. Restrictions on licensing premises near school or church
28 buildings; definitions

29 A. A retailer's license shall not be issued for any premises that are,
30 at the time the license application is received by the director, within three
31 hundred horizontal feet of a church, within three hundred horizontal feet of
32 a public or private school building with kindergarten programs or any of
33 grades one through twelve or within three hundred horizontal feet of a fenced
34 recreational area adjacent to such school building. This section does not
35 prohibit the renewal of a valid license issued pursuant to this title if, on
36 the date that the original application for the license is filed, the premises
37 were not within three hundred horizontal feet of a church, within three
38 hundred horizontal feet of a public or private school building with
39 kindergarten programs or any of grades one through twelve or within three
40 hundred horizontal feet of a fenced recreational area adjacent to such school
41 building.

42 B. Subsection A of this section does not apply to a:

43 1. Restaurant issued a license pursuant to section 4-205.02, SUBJECT
44 TO THE LIMITATIONS IN SECTION 4-205.02, SUBSECTION H, FOR A PERMIT ALLOWING

1 FOR THE SALE OF BEER FOR CONSUMPTION OFF OF THE LICENSED PREMISES PURSUANT TO
2 SECTION 4-244, PARAGRAPH 32, SUBDIVISION (c).

3 2. Special event license issued pursuant to section 4-203.02.
4 3. Hotel-motel issued a license pursuant to section 4-205.01.
5 4. Government license issued pursuant to section 4-205.03.
6 5. Playing area of a golf course issued a license pursuant to this
7 article.
8 6. A- Beer and wine license at a not-for-profit performing arts
9 theatre with a permanent seating capacity of at least two hundred fifty
10 persons.

11 C. Notwithstanding subsection A of this section:
12 1. A transferable spirituous liquor license that is validly issued and
13 that is, on the date an application for a transfer is filed, within three
14 hundred horizontal feet of a church, within three hundred horizontal feet of
15 a public or private school building with kindergarten programs or any of
16 grades one through twelve or within three hundred horizontal feet of a fenced
17 recreational area adjacent to such school building may be transferred person
18 to person pursuant to sections 4-201, 4-202 and 4-203 and remains in full
19 force until the license is terminated in any manner, unless renewed pursuant
20 to section 4-209, subsection A.
21 2. A person may be issued a spirituous liquor license pursuant to
22 sections 4-201, 4-202 and 4-203 of the same class for premises that, on the
23 date the application is filed, have a valid transferable or nontransferable
24 license of the same series if the premises are, on the date an application
25 for such license is filed, within three hundred horizontal feet of a church,
26 within three hundred horizontal feet of a public or private school building
27 with kindergarten programs or any of grades one through twelve or within
28 three hundred horizontal feet of a fenced recreational area adjacent to such
29 school building and the license remains in full force until the license is
30 terminated in any manner, unless renewed pursuant to section 4-209,
31 subsection A.
32 3. A person may be issued a liquor store license pursuant to sections
33 4-201, 4-202, 4-203 and 4-206.01 for premises that have a beer and wine store
34 license validly issued if the premises, on the date an application for such
35 license is filed, are within three hundred horizontal feet of a church,
36 within three hundred horizontal feet of a public or private school building
37 with kindergarten programs or any of grades one through twelve or within
38 three hundred horizontal feet of a fenced recreational area adjacent to such
39 school building and the license remains in full force until the license is
40 terminated in any manner, unless renewed pursuant to section 4-209,
41 subsection A.
42 4. The governing body of a city or town, on a case-by-case basis, may
43 approve an exemption from the distance restrictions prescribed in this
44 section for a church or a public or private school that is located in an area
45 that is designated an entertainment district by the governing body of that

1 city or town. A city or town with a population of at least five hundred
2 thousand persons may designate no more than three entertainment districts
3 within the boundaries of the city or town pursuant to this paragraph. A city
4 or town with a population of at least two hundred thousand persons but less
5 than five hundred thousand persons may designate no more than two
6 entertainment districts within the boundaries of the city or town pursuant to
7 this paragraph. A city or town with a population of less than two hundred
8 thousand persons may designate no more than one entertainment district within
9 the boundaries of the city or town pursuant to this paragraph.

10 5. A person may be issued a beer and wine store license pursuant to
11 sections 4-201, 4-202, 4-203 and 4-206.01 for premises that have a liquor
12 store license validly issued if the premises, on the date of an application
13 for which the license is filed, are within three hundred horizontal feet of a
14 church, within three hundred horizontal feet of a public or private school
15 building with kindergarten programs or any of grades one through twelve or
16 within three hundred horizontal feet of a fenced recreation area adjacent to
17 such school building and the license remains in full force until the license
18 is terminated in any manner, unless renewed pursuant to section 4-209,
19 subsection A.

20 D. For the purposes of this section:

21 1. "Church" means a building which is erected or converted for use as
22 a church, where services are regularly convened, that is used primarily for
23 religious worship and schooling and that a reasonable person would conclude
24 is a church by reason of design, signs or architectural or other features.

25 2. "Entertainment district" means a specific contiguous area that is
26 designated an entertainment district by a resolution adopted by the governing
27 body of a city or town, that consists of no more than one square mile, that
28 is no less than one-eighth of a mile in width and that contains a significant
29 number of entertainment, artistic and cultural venues, including music halls,
30 concert facilities, theaters, arenas, stadiums, museums, studios, galleries,
31 restaurants, bars and other related facilities.

32 Sec. 10. Section 4-209, Arizona Revised Statutes, is amended to read:

33 4-209. Fees for license, application, issuance, renewal and
34 transfer; late renewal penalty; seasonal operation;
35 surcharges

36 A. A fee shall accompany an application for an original license or
37 transfer of a license, or in case of renewal, shall be paid in advance.
38 Every license expires annually, except that a license may be renewed for a
39 two-year period pursuant to subsection M of this section if no compliance
40 penalties have been issued to that location during the year before the
41 renewal. A licensee who fails to renew the license on or before the due date
42 shall pay a penalty of one hundred fifty dollars, which the licensee shall
43 pay with the renewal fee. A license renewal that is deposited, properly
44 addressed and postage prepaid in an official depository of the United States
45 mail on or before the due date shall be deemed filed and received by the

1 department on the date shown by the postmark or other official mark of the
2 United States postal service stamped on the envelope. If the due date falls
3 on a Saturday, Sunday or other legal holiday, the renewal shall be considered
4 timely if it is received by the department on the next business day. The
5 director may waive a late renewal penalty if good cause is shown by the
6 licensee. A licensee who fails to renew the license on or before the due
7 date may not sell, purchase or otherwise deal in spirituous liquor until the
8 license is renewed. A license that is not renewed within sixty days after
9 the due date is deemed terminated. The director may renew the terminated
10 license if good cause is shown by the licensee. An application fee for an
11 original license or the transfer of a license shall be one hundred dollars,
12 which shall be retained by this 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, one thousand five hundred dollars.

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, two
18 hundred dollars.

19 3. For a microbrewery license, three hundred dollars.

20 4. For a wholesaler's license, to sell spirituous liquors, one
21 thousand five hundred dollars.

22 5. For a government license issued in the name of a state agency,
23 state commission, state board, county, city, town, community college or state
24 university or the national guard, one hundred dollars.

25 6. For a bar license, which is an on-sale retailer's license to sell
26 all spirituous liquors primarily by individual portions and in the original
27 containers, one thousand five hundred dollars.

28 7. For a beer and wine bar license, which is an on-sale retailer's
29 license to sell beer and wine primarily by individual portions and in the
30 original containers, one thousand five hundred dollars.

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

39 9. For a liquor store license, which is an off-sale retailer's license
40 to sell all spirituous liquors, one thousand five hundred dollars.

41 10. For a beer and wine store license, which is an off-sale retailer's
42 license to sell beer and wine, one thousand five hundred dollars.

43 11. For a hotel-motel license issued as such, to sell and serve
44 spirituous liquors solely for consumption on the licensed premises of the
45 hotel or motel, one thousand five hundred dollars.

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, one thousand five hundred dollars. FOR A PERMIT ISSUED UNDER
4 SECTION 4-205.02, SUBSECTION H ALLOWING FOR THE SALE OF BEER FOR THE
5 CONSUMPTION OFF THE LICENSED PREMISES PURSUANT TO SECTION 4-244, PARAGRAPH
6 32, SUBDIVISION (c), THE DIRECTOR MAY CHARGE A FEE.

7 13. For a farm winery license, one hundred dollars. The director may
8 charge a licensed farm winery a fee pursuant to section 4-205.04, subsection
9 ~~D, E or F~~ L.

10 14. For a club license issued in the name of a bona fide club qualified
11 under this title to sell all spirituous liquors on-sale, one thousand
12 dollars.

13 15. For an out-of-state winery that sells not more than two hundred
14 forty gallons of wine in this state in a calendar year, twenty-five dollars.

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

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

22 D. The annual fees for licenses shall be:

23 1. For an in-state producer's license, to manufacture or produce
24 spirituous liquors in this state, three hundred fifty dollars.

25 2. Except as provided in paragraph 15 of this subsection, for an
26 out-of-state producer's, exporter's, importer's or rectifier's license, fifty
27 dollars.

28 3. For a microbrewery license, three hundred dollars.

29 4. For a wholesaler's license, to sell spirituous liquors, two hundred
30 fifty dollars.

31 5. For a government license issued to a county, city or town,
32 community college or state university or the national guard, one hundred
33 dollars.

34 6. For a bar license, which is an on-sale retailer's license to sell
35 all spirituous liquors primarily by individual portions and in the original
36 containers, one hundred fifty dollars.

37 7. For a beer and wine bar license, which is an on-sale retailer's
38 license to sell beer and wine primarily by individual portions and in the
39 original containers, seventy-five dollars.

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

- 1 liquor in individual portions or in the original containers for consumption
2 on the boat, two hundred twenty-five dollars.
- 3 9. For a liquor store license, which is an off-sale retailer's license
4 to sell all spirituous liquors, fifty dollars.
- 5 10. For a beer and wine store license, which is an off-sale retailer's
6 license to sell beer and wine, fifty dollars.
- 7 11. For a hotel-motel license issued as such, to sell and serve
8 spirituous liquors solely for consumption on the licensed premises of the
9 hotel or motel, five hundred dollars.
- 10 12. For a restaurant license issued as such, to sell and serve
11 spirituous liquors solely for consumption on the licensed premises of the
12 restaurant, five hundred dollars, and for a restaurant license that is
13 permitted to continue operating as a restaurant pursuant to section 4-213,
14 subsection E, an additional amount established by the director. The
15 department shall transfer this amount to the state treasurer for deposit in
16 the state general fund.
- 17 13. For a farm winery license, one hundred dollars. The director may
18 charge a licensed farm winery an annual fee pursuant to section 4-205.04,
19 subsection ~~D, E or F~~ L.
- 20 14. For a club license issued in the name of a bona fide club qualified
21 under this title to sell all spirituous liquors on-sale, one hundred fifty
22 dollars.
- 23 15. For an out-of-state winery that sells not more than two hundred
24 forty gallons of wine in this state in a calendar year, twenty-five dollars.
- 25 16. The director may charge a fee for the annual renewal of a craft
26 distiller license.
- 27 E. Where the business of an on-sale retail licensee is seasonal, not
28 extending over periods of more than six months in any calendar year, the
29 licensee may designate the periods of operation, and a license may be granted
30 for those periods only, on payment of one-half of the fee prescribed in
31 subsection D of this section.
- 32 F. Transfer fees from person to person for licenses transferred
33 pursuant to section 4-203, subsection C shall be three hundred dollars.
- 34 G. Transfer fees from location to location, as provided for in section
35 4-203, shall be one hundred dollars.
- 36 H. Assignment fees for a change of agent, as provided for in section
37 4-202, subsection ~~E~~ A, shall be one hundred dollars, except that where a
38 licensee holds multiple licenses the assignment fee for the first license
39 shall be one hundred dollars and the assignment fee for all remaining
40 licenses transferred to the same OR A NEW agent, OR WITH THE SAME ACQUIRING
41 PARTY OR PARTIES, shall be fifty dollars each, except that the aggregate
42 assignment fees shall in no event exceed one thousand dollars.
- 43 I. No fee shall be charged by the department for an assignment of a
44 liquor license in probate or an assignment pursuant to the provisions of a
45 will or pursuant to a judicial decree in a domestic relations proceeding

1 ~~which~~ THAT assigns ownership of a business ~~which~~ THAT includes a spirituous
2 liquor license to one of the parties in the proceeding. In the case of
3 nontransferable licenses no fee shall be charged by the department for the
4 issuance of a license for a licensed business pursuant to a transfer of the
5 business in probate or pursuant to the provisions of a will or pursuant to a
6 judicial decree in a domestic relations proceeding ~~which~~ THAT assigns
7 ownership of the business to one of the parties in the proceeding.

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

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

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

33 M. Licenses may be renewed every two years with payment of license
34 fees that are twice the amount designated in subsection D of this section and
35 other applicable fees. Licensees renewing every two years must comply with
36 annual reporting requirements. The director may adopt reasonable rules to
37 permit licensees to renew every two years.

38 Sec. 11. Section 4-227, Arizona Revised Statutes, is amended to read:

39 4-227. Qualified retail cooperatives; pricing; definitions

40 A. A wholesaler shall sell its product to a qualified retail
41 cooperative at prices established by the quantity of spirituous liquor being
42 purchased.

43 B. As used in this section:

44 1. "Product" means a particular brand of spirituous liquor in a
45 designated size container or a mix of brands and containers when sold on a

1 combined basis established by the wholesaler that is offered on quantity
2 discount terms established by the wholesaler.

3 2. "Qualified retail cooperative" means a retail cooperative of two OR
4 MORE retail licensees OR LICENSEES.

5 Sec. 12. Section 4-227.01, Arizona Revised Statutes, is amended to
6 read:

7 4-227.01. Channel pricing; definition

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

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

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

14 B. IF AN ESTABLISHMENT HAS MULTIPLE LICENSES AT THE SAME LOCATION AND
15 THE LICENSES ARE NOT FROM THE SAME CHANNEL, THE SPIRITUOUS LIQUOR SHALL BE
16 SOLD UNDER THE CHANNEL THAT REPRESENTS THE PRIMARY USE OF THE PREMISES.

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

21 Sec. 13. Section 4-243, Arizona Revised Statutes, is amended to read:

22 4-243. Commercial coercion or bribery unlawful; exceptions

23 A. It is unlawful for a person engaged in the business of distiller,
24 vintner, brewer, rectifier or blender or any other producer or wholesaler of
25 any spirituous liquor, directly or indirectly, or through an affiliate:

26 1. To require that a retailer purchase spirituous liquor from the
27 producer or wholesaler to the exclusion, in whole or in part, of spirituous
28 liquor sold or offered for sale by other persons.

29 2. To induce a retailer by any form of commercial bribery to purchase
30 spirituous liquor from the producer or wholesaler to the exclusion, in whole
31 or in part, of spirituous liquor sold or offered for sale by other persons.

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

35 4. To furnish, give, rent, lend or sell to the retailer equipment,
36 fixtures, signs, supplies, money, services or other things of value, subject
37 to such exception as the rules adopted pursuant to this title may prescribe,
38 having regard for established trade customs and the purposes of this
39 subsection.

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

43 6. To guarantee a loan or repayment of a financial obligation of the
44 retailer.

45 7. To extend credit to the retailer on a sale of spirituous liquor.

1 8. To require the retailer to take and dispose of a certain quota of
2 spirituous liquor.

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

5 B. This section does not prohibit any distiller, vintner, brewer,
6 rectifier, blender or other producer or wholesaler of any spirituous liquor
7 from:

8 1. Giving financial and other forms of event sponsorship assistance to
9 nonprofit or charitable organizations for purposes of charitable fund-raising
10 that are issued special event licenses by the department. This section does
11 not prohibit suppliers from advertising their sponsorship at such special
12 events.

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

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

17 (b) Sampling shall be limited to twelve ounces of beer or cooler
18 products, six ounces of wine or two ounces of distilled spirits per person
19 per brand.

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

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

26 (e) The producer or wholesaler may not give a keg of beer or any
27 spirituous liquor or any other gifts or benefits to the on-sale retailer.

28 (f) All sampling procedures shall comply with federal sampling laws
29 and regulations.

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

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

34 (b) The producer or wholesaler shall notify the department in writing
35 or by electronic means not less than ~~ten~~ FIVE days before the sampling of the
36 date, time and location of the sampling and of the name of the wholesaler or
37 producer distributing the product.

38 (c) Sampling shall be limited to three ounces of beer, one and
39 one-half ounces of wine or one ounce of distilled spirits per person per day
40 for consumption on the premises and up to seventy-two ounces of beer and two
41 ounces of distilled spirits per person per day for consumption off the
42 premises.

43 (d) An off-sale retailer shall not permit sampling to be conducted on
44 a licensed premises on more than twelve days in any calendar year per
45 wholesaler or producer.

1 (e) Sampling shall be limited to ~~one wholesaler~~ TWO WHOLESALERS or
2 ~~producer~~ PRODUCERS at any one off-sale retailer's premises on any day and
3 shall not exceed three hours on any day PER APPROVED SAMPLING.

4 (f) A producer conducting sampling shall buy the sampled product from
5 a wholesaler.

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

8 (h) The producer or wholesaler shall designate an area in which
9 sampling is conducted that is in the portion of the licensed premises where
10 spirituous liquor is primarily displayed and separated from the remainder of
11 the off-sale retailer's premises by a wall, rope, door, cable, cord, chain,
12 fence or other barrier. The producer or wholesaler shall not permit persons
13 under the legal drinking age from entering the area in which sampling is
14 conducted.

15 (i) The producer or wholesaler may not provide samples to the retailer
16 or the retailer's employees.

17 (j) Sampling shall not be conducted in retail premises with a total of
18 under five thousand square feet of retail space unless at least seventy-five
19 ~~per cent~~ PERCENT of the retailer's shelf space is dedicated to the sale of
20 spirituous liquor.

21 (k) The producer or wholesaler may not give spirituous liquor or any
22 other gifts or benefits to the off-sale retailer.

23 (l) All sampling procedures shall comply with federal sampling laws
24 and regulations.

25 C. Notwithstanding subsection A, paragraph 4 of this section, any
26 wholesaler of any spirituous liquor may sell tobacco products or foodstuffs
27 to a retailer at a price not less than the cost to the wholesaler.

28 D. Notwithstanding subsection A, paragraph 4, and subsection B,
29 paragraph 2, subdivision (e) of this section, any wholesaler may furnish
30 without cost promotional items to an on-sale retailer, except that the total
31 market value of the promotional items furnished by that wholesaler to that
32 retailer in any calendar year shall not exceed five hundred dollars. For the
33 purposes of this subsection, "promotional items" means items of equipment,
34 supplies, novelties or other advertising specialties that conspicuously
35 display the brand name of a spirituous liquor product. Promotional items do
36 not include signs.

37 E. It is unlawful for a retailer to request or knowingly receive
38 anything of value that a distiller, vintner, brewer, rectifier or blender or
39 any other producer or wholesaler is prohibited by subsection A or D of this
40 section from furnishing to a retailer, except that this subsection shall not
41 prohibit special discounts provided to retailers and based on quantity
42 purchases.

43 Sec. 14. Section 4-244, Arizona Revised Statutes, is amended to read:

44 4-244. Unlawful acts

45 It is unlawful:

1 1. For a person to buy for resale, sell or deal in spirituous liquors
2 in this state without first having procured a license duly issued by the
3 board.

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

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

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

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

24 6. For a person to take or solicit orders for spirituous liquors
25 unless the person is a salesman or solicitor of a licensed wholesaler, a
26 salesman or solicitor of a distiller, brewer, vintner, importer or broker or
27 a registered retail agent.

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

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

34 9. Except as provided in paragraphs 10 and 11 of this section, for a
35 licensee or other person to sell, furnish, dispose of or give, or cause to be
36 sold, furnished, disposed of or given, to a person under the legal drinking
37 age or for a person under the legal drinking age to buy, receive, have in the
38 person's possession or consume spirituous liquor. This paragraph shall not
39 prohibit the employment by an off-sale retailer of persons who are at least
40 sixteen years of age to check out, if supervised by a person on the premises
41 who is at least nineteen years of age, package or carry merchandise,
42 including spirituous liquor, in unbroken packages, for the convenience of the
43 customer of the employer, if the employer sells primarily merchandise other
44 than spirituous liquor.

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

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

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

18 13. For an employee of a retail licensee, during that employee's
19 working hours or in connection with such employment, to give to or purchase
20 for any other person, accept a gift of, purchase for himself or consume
21 spirituous liquor, except that:

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

26 (b) An employee of an on-sale retail licensee, during that employee's
27 working hours or in connection with the employment, while the employee is not
28 engaged in waiting on or serving customers, may taste samples of beer or wine
29 not to exceed four ounces per day or distilled spirits not to exceed two
30 ounces per day provided by an employee of a wholesaler or distributor who is
31 present at the time of the sampling.

32 (c) An employee of an on-sale retail licensee, under the supervision
33 of a manager as part of the employee's training and education, while not
34 engaged in waiting on or serving customers may taste samples of distilled
35 spirits not to exceed two ounces per educational session or beer or wine not
36 to exceed four ounces per educational session, and provided that a licensee
37 shall not have more than two educational sessions in any thirty day period.

38 (d) An unpaid volunteer who is a bona fide member of a club and who is
39 not engaged in waiting on or serving spirituous liquor to customers may
40 purchase for himself and consume spirituous liquor while participating in a
41 scheduled event at the club. An unpaid participant in a food competition may
42 purchase for himself and consume spirituous liquor while participating in the
43 food competition.

44 (e) An unpaid volunteer of a special event licensee under section
45 4-203.02 may purchase and consume spirituous liquor while not engaged in

1 waiting on or serving spirituous liquor to customers at the special event.
2 This subdivision does not apply to an unpaid volunteer whose responsibilities
3 include verification of a person's legal drinking age, security or the
4 operation of any vehicle or heavy machinery.

5 14. For a licensee or other person to serve, sell or furnish spirituous
6 liquor to a disorderly or obviously intoxicated person, or for a licensee or
7 employee of the licensee to allow or permit a disorderly or obviously
8 intoxicated person to come into or remain on or about the premises, except
9 that a licensee or an employee of the licensee may allow an obviously
10 intoxicated person to remain on the premises for a period of time of not to
11 exceed thirty minutes after the state of obvious intoxication is known or
12 should be known to the licensee in order that a nonintoxicated person may
13 transport the obviously intoxicated person from the premises. For the
14 purposes of this section, "obviously intoxicated" means inebriated to the
15 extent that a person's physical faculties are substantially impaired and the
16 impairment is shown by significantly uncoordinated physical action or
17 significant physical dysfunction that would have been obvious to a reasonable
18 person.

19 15. For an on-sale or off-sale retailer or an employee of such retailer
20 to sell, dispose of, deliver or give spirituous liquor to a person between
21 the hours of 2:00 a.m. and 6:00 a.m.

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

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

30 18. For an on-sale retailer to permit an employee or for an employee to
31 solicit or encourage others, directly or indirectly, to buy the employee
32 drinks or anything of value in the licensed premises during the employee's
33 working hours. No on-sale retailer shall serve employees or allow a patron
34 of the establishment to give spirituous liquor to, purchase liquor for or
35 drink liquor with any employee during the employee's working hours.

36 19. For an off-sale retailer or employee to sell spirituous liquor
37 except in the original unbroken container, to permit spirituous liquor to be
38 consumed on the premises or to knowingly permit spirituous liquor to be
39 consumed on adjacent property under the licensee's exclusive control.

40 20. For a person to consume spirituous liquor in a public place,
41 thoroughfare or gathering. The license of a licensee permitting a violation
42 of this paragraph on the premises shall be subject to revocation. This
43 paragraph does not apply to the sale of spirituous liquors on the premises of
44 and by an on-sale retailer. This paragraph also does not apply to a person
45 consuming beer from a broken package in a public recreation area or on

1 private property with permission of the owner or lessor or on the walkways
2 surrounding such private property or to a person consuming beer or wine from
3 a broken package in a public recreation area as part of a special event or
4 festival that is conducted under a license secured pursuant to section
5 4-203.02 or 4-203.03.

6 21. For a person to have possession of or to transport spirituous
7 liquor ~~which~~ THAT is manufactured in a distillery, winery, brewery or
8 rectifying plant contrary to the laws of the United States and this state.
9 Any property used in transporting such spirituous liquor shall be forfeited
10 to the state and shall be seized and disposed of as provided in section
11 4-221.

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

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

35 (b) If the owner, lessee or occupant of the premises is a club as
36 defined in section 4-101, paragraph 7, subdivision (a) and the person under
37 the legal drinking age is any of the following:

38 (i) An active duty military service member.

39 (ii) A veteran.

40 (iii) A member of the United States army national guard or the United
41 States air national guard.

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

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

1 23. For an on-sale retailer or employee to conduct drinking contests,
2 to sell or deliver to a person an unlimited number of spirituous liquor
3 beverages during any set period of time for a fixed price, to deliver more
4 than ~~forty~~ FIFTY ounces of beer, one liter of wine or four ounces of
5 distilled spirits in any spirituous liquor drink to one person at one time
6 for that person's consumption or to advertise any practice prohibited by this
7 paragraph. The provisions of this paragraph do not prohibit an on-sale
8 retailer or employee from selling and delivering an opened, original
9 container of distilled spirits if:

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

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

15 24. For a licensee or employee to knowingly permit the unlawful
16 possession, use, sale or offer for sale of narcotics, dangerous drugs or
17 marijuana on the premises. As used in this paragraph, "dangerous drug" has
18 the same meaning prescribed in section 13-3401.

19 25. For a licensee or employee to knowingly permit prostitution or the
20 solicitation of prostitution on the premises.

21 26. For a licensee or employee to knowingly permit unlawful gambling on
22 the premises.

23 27. For a licensee or employee to knowingly permit trafficking or
24 attempted trafficking in stolen property on the premises.

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

28 29. For any person other than a peace officer or a member of a
29 sheriff's volunteer posse while on duty who has received firearms training
30 that is approved by the Arizona peace officer standards and training board,
31 the licensee or an employee of the licensee acting with the permission of the
32 licensee to be in possession of a firearm while on the licensed premises of
33 an on-sale retailer. This paragraph shall not be construed to include a
34 situation in which a person is on licensed premises for a limited time in
35 order to seek emergency aid and such person does not buy, receive, consume or
36 possess spirituous liquor. This paragraph shall not apply to:

37 (a) Hotel or motel guest room accommodations.

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

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

43 30. For a licensee or employee to knowingly permit a person in
44 possession of a firearm other than a peace officer or a member of a sheriff's
45 volunteer posse while on duty who has received firearms training that is

1 approved by the Arizona peace officer standards and training board, the
2 licensee or an employee of the licensee acting with the permission of the
3 licensee to remain on the licensed premises or to serve, sell or furnish
4 spirituous liquor to a person in possession of a firearm while on the
5 licensed premises of an on-sale retailer. It shall be a defense to action
6 under this paragraph if the licensee or employee requested assistance of a
7 peace officer to remove such person. This paragraph shall not apply to:

8 (a) Hotel or motel guest room accommodations.

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

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

14 31. For any person in possession of a firearm while on the licensed
15 premises of an on-sale retailer to consume spirituous liquor. This paragraph
16 does not prohibit the consumption of small amounts of spirituous liquor by an
17 undercover peace officer on assignment to investigate the licensed
18 establishment.

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

22 (a) A person who removes a bottle of wine ~~which~~ THAT has been
23 partially consumed in conjunction with a purchased meal from licensed
24 premises if a cork is inserted flush with the top of the bottle or the bottle
25 is otherwise securely closed.

26 (b) A person who is in licensed premises that have noncontiguous
27 portions that are separated by a public or private walkway or driveway and
28 who takes spirituous liquor from one portion of the licensed premises across
29 the public or private walkway or driveway directly to the other portion of
30 the licensed premises.

31 (c) A LICENSEE OF a bar, beer and wine bar, liquor store, beer and
32 wine store, ~~or~~ microbrewery licensee OR RESTAURANT THAT HAS A PERMIT PURSUANT
33 TO SECTION 4-205.02, SUBSECTION H who dispenses beer only in a clean
34 container composed of a material approved by a national sanitation
35 organization with a maximum capacity that does not exceed one gallon and not
36 for consumption on the premises if:

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

39 (ii) The container is sealed ~~with a plastic adhesive~~ and displays a
40 government warning label.

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

43 ~~The department shall review the effects of this subdivision and submit a~~
44 ~~report by July 1, 2015 on the effects of this subdivision to the governor,~~

1 ~~the speaker of the house of representatives and the president of the senate.~~
2 ~~The department shall provide a copy of this report to the secretary of state.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 Sec. 15. Section 4-251, Arizona Revised Statutes, is amended to read:

26 4-251. Spirituous liquor in motor vehicles; prohibitions;
27 violation; classification; exceptions; definitions

28 A. It is unlawful for any person to:

29 1. Consume spirituous liquor while operating or while within the
30 passenger compartment of a motor vehicle that is located on any public
31 highway or right-of-way of a public highway in this state.

32 2. Possess an open container of spirituous liquor within the passenger
33 compartment of a motor vehicle that is located on any public highway or
34 right-of-way of a public highway in this state.

35 B. A person who violates subsection A of this section is guilty of a
36 class 2 misdemeanor.

37 C. This section does not apply to:

38 1. A passenger in any bus, limousine, ~~or~~ taxi OR TRANSPORTATION
39 NETWORK COMPANY VEHICLE AS DEFINED IN SECTION 28-9551 WHILE THE VEHICLE IS
40 BEING USED TO PROVIDE TRANSPORTATION NETWORK SERVICES AS DEFINED IN SECTION
41 28-9551.

42 2. A passenger in the living quarters of a motor home as defined in
43 section 28-4301.

1 D. For the purposes of this section:

2 1. "Motor vehicle" means any vehicle that is driven or drawn by
3 mechanical power and that is designed primarily for use on public highways.
4 Motor vehicle does not include a vehicle operated exclusively on rails.

5 2. "Open container" means any bottle, can, jar, CONTAINER DISPENSED
6 PURSUANT TO SECTION 4-244, PARAGRAPH 32, SUBDIVISION (c) or other receptacle
7 that contains spirituous liquor and that has been opened, has had its seal
8 broken or the contents of which have been partially removed.

9 3. "Passenger compartment" means the area of a motor vehicle designed
10 for the seating of the driver and other passengers of the vehicle. Passenger
11 compartment includes an unlocked glove compartment and any unlocked portable
12 devices within the immediate reach of the driver or any passengers.
13 Passenger compartment does not include the trunk, a locked glove compartment
14 or the area behind the last upright seat of a motor vehicle that is not
15 equipped with a trunk.

16 4. "Public highway or right-of-way of a public highway" means the
17 entire width between and immediately adjacent to the boundary lines of every
18 way maintained by the federal government, this state or a county, city or
19 town if any part of the way is generally open to the use of the public for
20 purposes of vehicular travel.

APPROVED BY THE GOVERNOR MAY 11, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 11, 2016.

Passed the House April 13, 2016,

Passed the Senate February 29, 2016,

by the following vote: 59 Ayes,

by the following vote: 28 Ayes,

0 Nays, 1 Not Voting

2 Nays, 0 Not Voting

[Signature]
Speaker of the House

[Signature]
President of the Senate

[Signature]
Chief Clerk of the House

[Signature]
Secretary of the Senate

**EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR**

This Bill was received by the Governor this

_____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary to the Governor

Approved this _____ day of

_____, 20____,

at _____ o'clock _____ M.

Governor of Arizona

S.B. 1373

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

This Bill was received by the Secretary of State

this _____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary of State

SENATE CONCURS IN HOUSE
AMENDMENTS AND FINAL PASSAGE

Passed the Senate May 4, 2016

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

4th day of May, 2016

at 4:26 o'clock P. M.

[Signature]
Secretary to the Governor

Approved this 11th day of

May

at 9:41 o'clock A M.

[Signature]
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 12 day of May, 2016

at 8:48 o'clock A M.

[Signature]
Secretary of State