

Senate Engrossed House Bill

FILED

MICHELE REAGAN
SECRETARY OF STATE

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CHAPTER 168

HOUSE BILL 2337

AN ACT

AMENDING SECTIONS 4-101, 4-111, 4-201, 4-203, 4-203.02, 4-205, 4-205.02, 4-205.10 AND 4-205.11, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 4-205.12; AMENDING SECTIONS 4-206.01, 4-209, 4-213, 4-243 AND 4-250.01, 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
7 brawl or a disturbance, in which bodily injuries are sustained by any
8 person and such injuries would be obvious to a reasonable person, or
9 tumultuous conduct of sufficient intensity as to require the intervention
10 of a peace officer to restore normal order, or an incident in which a
11 weapon is brandished, displayed or used. Act of violence does not include
12 the use of nonlethal 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
15 and who filed a written request with the department to speak in favor of
16 or opposition to the issuance of the license no later than sixty days
17 after the filing of the application or fifteen days after action by the
18 local governing body, whichever is ~~later~~ SOONER.

19 3. "Beer" means any beverage obtained by the alcoholic
20 fermentation, infusion or decoction of barley malt, hops, or other
21 ingredients not 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
29 armed services of the United States who presents proper military
30 identification and any member of a recognized veterans' organization of
31 the United States and of any country allied with the United States during
32 current or past wars or through treaty arrangements.

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

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

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

1 (b) A chapter, aerie, parlor, lodge or other local unit of an
2 American national fraternal organization that has, as the owner, lessee or
3 occupant, operated an establishment for fraternal purposes in this state.
4 An American national fraternal organization as used in this subdivision
5 shall actively operate in not less than thirty-six states or have been in
6 active continuous existence for not less than twenty years.

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

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

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

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

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

43 9. "Control" means the power to direct or cause the direction of
44 the management and policies of an applicant, ~~OR licensee or controlling~~
45 ~~person~~, whether through the ownership of voting securities or a

1 partnership interest, by agreement or otherwise. Control is presumed to
2 exist if a person has the direct or indirect ownership of or power to vote
3 ten percent or more of the outstanding voting securities of the
4 applicant, ~~OR licensee or controlling person~~ or to control in any manner
5 the election of one or more of the directors of the applicant, ~~OR~~
6 licensee ~~or controlling person~~. In the case of a partnership, control is
7 presumed to mean the general partner or a limited partner who holds ten
8 percent or more of the voting rights of the partnership. For the purposes
9 of determining the percentage of voting securities owned, controlled or
10 held by a person, there shall be aggregated with the voting securities
11 attributed to the person the voting securities of ~~any other person~~
12 ~~directly or indirectly controlling, controlled by or under common control~~
13 ~~with the other person, or by an officer, partner, employee or agent of the~~
14 ~~person or by a spouse, parent or child of the person.~~ Control is also
15 presumed to exist if a creditor of the applicant, ~~OR licensee or~~
16 ~~controlling person~~ holds a beneficial interest in ten percent or more of
17 the liabilities of the licensee ~~or controlling person~~. The presumptions
18 in this paragraph regarding control are rebuttable.

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

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

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

26 13. "Director" means the director of the department of liquor
27 licenses and control.

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

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

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

44 17. "Government license" means a license to serve and sell
45 spirituous liquor on specified premises available only to a state agency,

1 state board, state commission, county, city, town, community college or
2 state university or the national guard or Arizona coliseum and exposition
3 center on application by the governing body of a state agency, state
4 board, state commission, county, city, town, community college or state
5 university or the national guard or Arizona exposition and state fair
6 board.

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

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

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

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

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

19 23. "Microbrewery" means a brewery in the United States or in a
20 territory or possession of the United States that meets the requirements
21 of section 4-205.08.

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

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

32 26. "PERMANENT OCCUPANCY" MEANS THE MAXIMUM OCCUPANCY OF THE
33 BUILDING OR FACILITY AS SET BY THE FIRE MARSHAL FOR THE JURISDICTION IN
34 WHICH THE BUILDING OR FACILITY IS LOCATED.

35 ~~26.~~ 27. "Person" includes a partnership, limited liability
36 company, association, company or corporation, as well as a natural person.

37 ~~27.~~ 28. "Premises" or "licensed premises" means the area from
38 which the licensee is authorized to sell, dispense or serve spirituous
39 liquors under the provision of the license. Premises or licensed premises
40 includes a patio that is not contiguous to the remainder of the premises
41 or licensed premises if the patio is separated from the remainder of the
42 premises or licensed premises by a public or private walkway or driveway
43 not to exceed thirty feet, subject to rules the director may adopt to
44 establish criteria for noncontiguous premises.

45 ~~28.~~ 29. "Registered mail" includes certified mail.

1 ~~29.~~ 30. "Registered retail agent" means any person who is
2 authorized pursuant to section 4-222 to purchase spirituous liquors for
3 and on behalf of himself and other retail licensees.

4 ~~30.~~ 31. "Repeated acts of violence" means:

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

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

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

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

17 (e) For licensed premises with a permanent occupancy of more than
18 one thousand fifty persons, seven or more acts of violence within thirty
19 days. ~~For the purposes of this paragraph, "permanent occupancy" means the~~
20 ~~maximum occupancy of the building or facility as set by the fire marshal~~
21 ~~for the jurisdiction in which the building or facility is located.~~

22 ~~31.~~ 32. "Sell" includes soliciting or receiving an order for,
23 keeping or exposing for sale, directly or indirectly delivering for value,
24 peddling, keeping with intent to sell and trafficking in.

25 ~~32.~~ 33. "Spirituous liquor" includes alcohol, brandy, whiskey,
26 rum, tequila, mescal, gin, wine, porter, ale, beer, any malt liquor or
27 malt beverage, absinthe, a compound or mixture of any of them or of any of
28 them with any vegetable or other substance, alcohol bitters, bitters
29 containing alcohol, any liquid mixture or preparation, whether patented or
30 otherwise, which produces intoxication, fruits preserved in ardent
31 spirits, and beverages containing more than one-half of one percent of
32 alcohol by volume.

33 ~~33.~~ 34. "Vehicle" means any means of transportation by land, water
34 or air, and includes everything made use of in any way for such
35 transportation.

36 ~~34.~~ 35. "Vending machine" means a machine that dispenses
37 merchandise through the means of coin, token, credit card or other
38 nonpersonal means of accepting payment for merchandise received.

39 ~~35.~~ 36. "Veteran" means a person who has served in the United
40 States air force, army, navy, marine corps or coast guard, as an active
41 nurse in the services of the American red cross, in the army and navy
42 nurse corps in time of war, or in any expedition of the armed forces of
43 the United States, and who has received a discharge other than
44 dishonorable.

1 ~~36.~~ 37. "Voting security" means any security presently entitling
2 the owner or holder of the security to vote for the election of directors
3 of an applicant, licensee or controlling person.

4 ~~37.~~ 38. "Wine" means the product obtained by the fermentation of
5 grapes, other agricultural products containing natural or added sugar or
6 cider or any such alcoholic beverage fortified with grape brandy and
7 containing not more than twenty-four percent of alcohol by volume.

8 Sec. 2. Section 4-111, Arizona Revised Statutes, is amended to
9 read:

10 4-111. State liquor board; department of liquor licenses and
11 control; members; director; appointment and removal

12 A. The department of liquor licenses and control is established
13 consisting of the state liquor board and the office of director of the
14 department.

15 B. From and after January 31, 2003, the board consists of seven
16 members to be appointed by the governor pursuant to section 38-211. Five
17 of the members of the board shall not be financially interested directly
18 or indirectly in business licensed to deal with spirituous liquors. Two
19 members shall currently be engaged in business in the spirituous liquor
20 industry or have been engaged in the past in business in the spirituous
21 liquor industry, at least one of whom shall currently be a retail licensee
22 or employee of a retail licensee. One member shall be a member of a
23 neighborhood association recognized by a county, city or town. The term
24 of members is three years. Members' terms expire on the third Monday in
25 January of the appropriate year. The governor may remove any member of the
26 board for cause. No member may represent ~~a~~ ANOTHER licensee before the
27 board ~~or the department~~ for a period of one year after the conclusion of
28 the member's service on the board.

29 C. The board shall annually elect from its membership a chairman
30 and vice-chairman. A majority of the board constitutes a quorum, and a
31 concurrence of a majority of a quorum is sufficient for taking any action.
32 If there are unfilled positions on the board, a majority of those persons
33 appointed and serving on the board constitutes a quorum.

34 D. The chairman may designate panels of not less than three
35 members. A panel may take any action that the board is authorized to take
36 pursuant to this title. Such action includes the ability to hold hearings
37 and hear appeals of administrative disciplinary proceedings of licenses
38 issued pursuant to this chapter. A panel shall not, however, adopt rules
39 as provided in section 4-112, subsection A, paragraph 2. The chairman may
40 from time to time add additional members or remove members from a panel.
41 A majority of a panel may ~~upon~~ ON the concurrence of a majority of the
42 members of the panel take final action on hearings and appeals of
43 administrative disciplinary proceedings concerning licenses issued
44 pursuant to this chapter.

1 E. Members of the board are entitled to receive compensation at the
2 rate of fifty dollars per day while engaged in the business of the board.

3 F. A person shall not be appointed to serve on the board unless the
4 person has been a resident of this state for not less than five years
5 before the person's appointment. ~~NO~~ NOT more than four members may be of
6 the same political party. Persons eligible for appointment shall have a
7 continuous recorded registration pursuant to title 16, chapter 1 with the
8 same political party or as an independent for at least two years
9 immediately preceding appointment. ~~NO~~ NOT more than ~~two~~ THREE members may
10 be appointed from the same county.

11 G. The governor shall appoint the director, pursuant to section
12 38-211, who shall be a qualified elector of the state and experienced in
13 administrative matters and enforcement procedures. The director shall
14 serve at the pleasure of the governor.

15 H. The director is entitled to receive a salary as determined
16 pursuant to section 38-611.

17 Sec. 3. Section 4-201, Arizona Revised Statutes, is amended to
18 read:

19 4-201. Licensing: application procedure in city, town or
20 county; burden of proof

21 A. A person desiring a license to manufacture, sell or deal in
22 spirituous liquors shall make application to the director on a form
23 prescribed and furnished by the director.

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

1 other unincorporated association, written arguments must be accompanied by
2 a letter of authority designating that person as a spokesperson. The
3 posting shall contain substantially the following:

4 Notice

5 A hearing on a liquor license application shall be held before
6 the local governing body at the following date, time and
7 place:

8 (Insert date, time and address)

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

18 (Insert address and telephone number).

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

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

34 D. If a person applies for a license to conduct a spirituous liquor
35 business outside an incorporated city or town, the director shall remit
36 two copies of the application to the clerk of the board of supervisors of
37 the county where the applicant desires to do business, and the proceedings
38 by the clerk and board of supervisors shall be as provided for cities and
39 towns.

40 E. On receipt of an application for a spirituous liquor license,
41 the director shall set the application for hearing by the board on a date
42 following the expiration of the time fixed for the submitting of the
43 certified order by the governing body of the city or town or the board of
44 supervisors. If the city or town or the county recommends approval of the
45 license no hearing is required unless the director, the board or any

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

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

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

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

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

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

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

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

34 4-203. Licenses; issuance; transfer; reversion to state

35 A. A spirituous liquor license shall be issued only after
36 satisfactory showing of the capability, qualifications and reliability of
37 the applicant and, with the exception of wholesaler, producer, government
38 or club licensees, that the public convenience requires and that the best
39 interest of the community will be substantially served by the issuance.
40 If an application is filed for the issuance of a transferable or
41 nontransferable license, other than for a craft distiller license, a
42 microbrewery license or a farm winery license, for a location that on the
43 date the application is filed has a valid license of the same series, or
44 in the case of a restaurant license application filed for a location with
45 a valid hotel-motel license, issued at that location, there shall be a

1 rebuttable presumption that the public convenience and best interest of
2 the community at that location was established at the time the location
3 was previously licensed. The presumption may be rebutted by competent
4 contrary evidence. The presumption shall not apply once the licensed
5 location has not been in use for more than one hundred eighty days and the
6 presumption shall not extend to the personal qualifications of the
7 applicant.

8 B. The license shall be to manufacture, sell or deal in spirituous
9 liquors only at the place and in the manner provided in the license. A
10 separate license shall be issued for each specific business, and each
11 shall specify:

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

14 2. The place of business for which issued.

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

16 C. A spirituous liquor license issued to a bar, a liquor store or a
17 beer and wine bar shall be transferable as to any permitted location
18 within the same county, provided such transfer meets the requirements of
19 an original application. A spirituous liquor license may be transferred
20 to a person qualified to be a licensee, provided such transfer is pursuant
21 to either judicial decree, nonjudicial foreclosure of a legal or equitable
22 lien, including security interests held by financial institutions pursuant
23 to section 4-205.05, a sale of the license, a bona fide sale of the entire
24 business and stock in trade, or such other bona fide transactions as may
25 be provided for by rule. Any change in ownership of the business of a
26 licensee, directly or indirectly, as defined by rule is deemed a transfer.

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

36 E. A person who assigns, surrenders, transfers or sells control of
37 a liquor license or business that has a spirituous liquor license shall
38 notify the director within thirty business days after the assignment,
39 surrender, transfer or sale. No spirituous liquor license shall be leased
40 or subleased. A concession agreement entered into under section 4-205.03
41 is not considered a lease or sublease in violation of this section.

42 F. If a person other than those persons originally licensed
43 acquires control over a license or licensee, the person shall file notice
44 of the acquisition with the director within thirty business days after the
45 acquisition of control and a list of officers, directors or other

1 controlling persons on a form prescribed by the director. THERE IS NO
2 ACQUISITION OF CONTROL IF A NEW PERSON IS ADDED TO THE OWNERSHIP OF A
3 LICENSEE'S BUSINESS BUT THE CONTROLLING PERSONS REMAIN IDENTICAL TO THE
4 CONTROLLING PERSONS THAT HAVE BEEN PREVIOUSLY DISCLOSED TO THE DIRECTOR AS
5 PART OF THE LICENSEE'S EXISTING OWNERSHIP. All officers, directors or
6 other controlling persons shall meet the qualifications for licensure as
7 prescribed by this title. On request, the director shall conduct a
8 preinvestigation before the assignment, sale or transfer of control of a
9 license or licensee, the reasonable costs of which, not to exceed one
10 thousand dollars, shall be borne by the applicant. The preinvestigation
11 shall determine whether the qualifications for licensure as prescribed by
12 this title are met. On receipt of notice of an acquisition of control or
13 request of a preinvestigation, the director, ~~shall forward the notice~~
14 ~~within fifteen days to the local governing body of the city or town, if~~
15 ~~the licensed premises is in an incorporated area, or the county, if the~~
16 ~~licensed premises is in an unincorporated area. The local governing body~~
17 ~~of the city, town or county may protest the acquisition of control within~~
18 ~~sixty days based on the capability, reliability and qualification of the~~
19 ~~person acquiring control. If the director does not receive any protests,~~
20 ~~the director may protest the acquisition of control or approve the~~
21 ~~acquisition of control based on the capability, reliability and~~
22 ~~qualification of the person acquiring control. Any protest shall be set~~
23 ~~for a hearing before the board. Any transfer shall be approved or~~
24 ~~disapproved within one hundred five days after the filing of the notice of~~
25 ~~acquisition of control~~ WITHIN FIFTEEN DAYS AFTER RECEIPT, SHALL FORWARD
26 THE NOTICE OF THE ACQUISITION OF CONTROL TO THE LOCAL GOVERNING BODY OF
27 THE CITY OR TOWN, IF THE LICENSED PREMISES IS IN AN INCORPORATED AREA, OR
28 THE COUNTY, IF THE LICENSED PREMISES IS IN AN UNINCORPORATED AREA. THE
29 DIRECTOR SHALL INCLUDE IN THE NOTICE TO THE LOCAL GOVERNING BODY WRITTEN
30 INSTRUCTIONS ON HOW THE LOCAL GOVERNING BODY MAY EXAMINE, FREE OF CHARGE,
31 THE RESULTS OF THE DEPARTMENT'S INVESTIGATION REGARDING THE CAPABILITIES,
32 QUALIFICATIONS AND RELIABILITY OF ALL OFFICERS, DIRECTORS OR OTHER
33 CONTROLLING PERSONS LISTED IN THE APPLICATION FOR ACQUISITION OF
34 CONTROL. THE LOCAL GOVERNING BODY MAY PROVIDE THE DIRECTOR WITH A
35 RECOMMENDATION, EITHER IN FAVOR OF OR AGAINST THE ACQUISITION OF CONTROL,
36 WITHIN SIXTY DAYS AFTER THE DIRECTOR MAILES THE NOTICE, BUT SECTION 4-201
37 DOES NOT APPLY TO THE ACQUISITION OF CONTROL PROVIDED FOR IN THIS
38 SECTION. A LOCAL GOVERNING BODY MAY CHARGE NOT MORE THAN ONE FEE,
39 REGARDLESS OF THE NUMBER OF LICENSES HELD BY THE APPLICANT, FOR REVIEW OF
40 ONE OR MORE APPLICATIONS FOR ACQUISITION OF CONTROL SUBMITTED TO THE
41 DEPARTMENT AT THE SAME TIME AND FOR THE SAME ENTITY. WITHIN ONE HUNDRED
42 FIVE DAYS AFTER FILING NOTICE OF THE ACQUISITION OF CONTROL, THE DIRECTOR
43 SHALL DETERMINE WHETHER THE APPLICANT IS QUALIFIED, CAPABLE AND RELIABLE
44 FOR LICENSURE. A RECOMMENDATION BY THE LOCAL GOVERNING BODY AGAINST THE
45 ACQUISITION OF CONTROL OR DENIAL BY THE DIRECTOR SHALL BE SET FOR A

1 HEARING BEFORE THE BOARD. The person who has acquired control of a
2 license or licensee has the burden of an original application at the
3 hearing, and the board shall make its determination pursuant to section
4 4-202 and this section with respect to capability, reliability and
5 qualification.

6 G. A licensee who holds a license in nonuse status for more than
7 five months shall be required to pay a one hundred dollar surcharge for
8 each month thereafter. The surcharge shall be paid at the time the
9 license is returned to active status. A license automatically reverts to
10 the state after being held in continuous nonuse in excess of thirty-six
11 months. The director may waive the surcharge and may extend the time
12 period provided in this subsection for good cause IF THE LICENSEE FILES A
13 WRITTEN REQUEST FOR AN EXTENSION OF TIME TO PLACE THE LICENSE IN ACTIVE
14 STATUS BEFORE THE DATE OF THE AUTOMATIC REVERSION. A license shall not be
15 deemed to have gone into active status if the license is transferred to a
16 location that at the time of or immediately before the transfer had an
17 active license of the same type, unless the licenses are under common
18 ownership or control.

19 H. A restructuring of a licensee's business is NEITHER an
20 acquisition of control ~~pursuant to subsection F of this section and is~~ NOR
21 a transfer of a spirituous liquor license ~~and not~~ NOR the issuance of a
22 new spirituous liquor license if both of the following apply:

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

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

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

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

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

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

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

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

16 O. If a licensed location has not been in use for ~~two~~ THREE years,
17 the location must requalify for a license pursuant to subsection A of this
18 section and shall meet the same qualifications required for issuance of a
19 new license except when the director deems that the nonuse of the location
20 was due to circumstances beyond the licensee's control AND AN EXTENSION OF
21 TIME HAS BEEN GRANTED PURSUANT TO SUBSECTION G OF THIS SECTION.

22 P. If the licensee's interest is forfeited pursuant to section
23 4-210, subsection L, the location shall requalify for a license pursuant
24 to subsection A of this section and shall meet the same qualifications
25 required for issuance of a new license except when a bona fide lienholder
26 demonstrates 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. 5. Section 4-203.02, Arizona Revised Statutes, is amended to
30 read:

31 4-203.02. Special event license; rules

32 A. The director may issue on a temporary basis:

33 1. A daily on-sale special event license authorizing the sale of
34 spirituous liquor for consumption on the premises where sold. The fee for
35 the license is twenty-five dollars per day. The director shall transfer
36 the monies collected to the department of health services for the purpose
37 prescribed in title 36, chapter 18, article 2.

38 2. A daily off-sale special event license authorizing a charitable
39 auction for the sale of spirituous liquor for consumption off premises.

40 B. Before the director may issue a temporary special event license,
41 a special event that is to occur at an otherwise unlicensed location or by
42 a licensee at a location that is not fully within the licensee's existing
43 licensed premises must be approved by the board of supervisors of a county
44 if the event is to be held in an unincorporated area or by the governing
45 body of the city or town if the event is to be held in a city or town.

1 C. The approval process prescribed in this section does not apply
2 to physical locations that are fully within premises licensed pursuant to
3 this title.

4 D. A physical location, other than a physical location that is
5 owned, operated, leased, managed or controlled by the United States, this
6 state or a city, town or county of this state, that is not licensed
7 pursuant to this title may not be issued more than ~~twelve~~ A TOTAL OF
8 THIRTY DAYS OF special event licenses during the same calendar year. All
9 applications for a special event license issued pursuant to this
10 ~~subsection~~ SECTION must be submitted to the department at least ten days
11 before the scheduled event. THE DIRECTOR MAY WAIVE THE TEN-DAY
12 REQUIREMENT FOR GOOD CAUSE SHOWN.

13 E. The director may only issue the special event license to a
14 political party or campaign committee supporting a candidate for public
15 office or a ballot measure, ~~an organization formed for a specific~~
16 ~~charitable or civic purpose, a fraternal organization in existence for~~
17 ~~over five years with a regular membership or a religious organization.~~ OR
18 A NONPROFIT ENTITY THAT IS ORGANIZED AS A NON-PROFIT CORPORATION, LIMITED
19 LIABILITY COMPANY, TRUST OR OTHER ENTITY IN THIS STATE OR PURSUANT TO THE
20 LAWS OF ANOTHER STATE THAT IS ELIGIBLE FOR DESIGNATION AS A NONPROFIT
21 ENTITY UNDER SECTION 501 (c) OF THE INTERNAL REVENUE CODE OF THE UNITED
22 STATES. THE NONPROFIT ENTITY SHALL DEMONSTRATE THAT IT IS IN GOOD
23 STANDING IN THIS STATE. AN APPLICANT FOR A SPECIAL EVENT LICENSE MAY
24 AGREE WITH A SPECIAL EVENT CONTRACTOR TO ASSIST THE APPLICANT IN SELLING
25 AND SERVING SPIRITUOUS LIQUOR AT THE SPECIAL EVENT. THE SPECIAL EVENT
26 CONTRACTOR SHALL BE LISTED ON THE APPLICATION FORM. THE DIRECTOR SHALL
27 REQUIRE A SPECIAL EVENT CONTRACTOR TO PROVIDE CONTROLLING PERSONS'
28 IDENTIFICATION AND BACKGROUND INFORMATION DEEMED NECESSARY TO IDENTIFY THE
29 SPECIAL EVENT CONTRACTOR AND TO DEMONSTRATE PROOF OF THE CONTRACTOR'S
30 AUTHORITY TO CONDUCT BUSINESS IN THIS STATE, INCLUDING PROVIDING COPIES OF
31 ANY REQUIRED STATE OR LOCAL BUSINESS LICENSES OR PERMITS. THE DEPARTMENT
32 SHALL MAINTAIN A LIST OF SPECIAL EVENT CONTRACTORS THAT HAVE BEEN EMPLOYED
33 BY SPECIAL EVENT LICENSEES DURING THE PAST YEAR AND THAT ARE NOT OTHERWISE
34 IN PENALTY STATUS PURSUANT TO SUBSECTION H. A LICENSEE HOLDING A
35 CURRENTLY ACTIVE SERIES 6, 7, 11 OR 12 LICENSE MAY SERVE AS THE SPECIAL
36 EVENT CONTRACTOR FOR A SPECIAL EVENT LICENSE WITHOUT ANY ADDITIONAL
37 REQUIREMENTS. A NEW APPLICANT FOR AN INITIAL SPECIAL EVENT LICENSE MAY BE
38 REQUIRED BY THE DEPARTMENT TO DEMONSTRATE IT IS QUALIFIED, CAPABLE AND
39 RELIABLE TO CONDUCT A SPECIAL EVENT. THE DEPARTMENT MAY REQUIRE NEW
40 SPECIAL EVENT CONTRACTORS AND NEW SPECIAL EVENT LICENSEES TO REQUIRE
41 PERSONS WHO SERVE OR SELL SPIRITUOUS LIQUOR TO PATRONS AT THE SPECIAL
42 EVENT TO COMPLETE AN APPROVED TRAINING COURSE IN ACCORDANCE WITH SECTION
43 4-112, SUBSECTION G, PARAGRAPH 2. A SPECIAL EVENT CONTRACTOR SHALL BE
44 SUBJECT TO THE PROVISIONS OF SECTION 4-112, SUBSECTION G, PARAGRAPH 1.

1 F. The director may issue a special event license concurrently with
2 a wine festival license and a craft distillery festival license and may
3 approve the location of the wine festival license within an excluded area
4 of a special event license specifically described in each license.
5 Notwithstanding section 4-244, paragraphs 13 and 19, both licenses shall
6 permit the presence of purchased spirituous liquor in the possession of
7 the purchaser.

8 ~~G. An organization selling spirituous liquor under a special event~~
9 ~~license shall purchase the spirituous liquor~~ FOR THE PURPOSES OF THIS
10 SECTION, A SPECIAL EVENT LICENSEE OR AN EMPLOYEE OF A SPECIAL EVENT
11 LICENSEE AND A SPECIAL EVENT CONTRACTOR OR AN EMPLOYEE OF A SPECIAL EVENT
12 CONTRACTOR THAT HAS BEEN RETAINED FOR AN APPROVED SPECIAL EVENT, MAY ORDER
13 OR PURCHASE SPIRITUOUS LIQUOR from the holder of a license authorized to
14 sell off-sale or a licensed wholesaler. In the case of a nonprofit
15 ~~organization~~ ENTITY that has obtained a special event license for the
16 purpose of charitable fund-raising activities, the nonprofit ~~organization~~
17 ENTITY OR SPECIAL EVENT CONTRACTOR may receive the spirituous liquor from
18 a wholesaler, farm winery, microbrewery or producer as a donation, except
19 that a licensee licensed pursuant to subsection A, paragraph 2 of this
20 section may receive spirituous liquor from a donor when the donor receives
21 no remuneration or payment of any kind, directly or indirectly, other than
22 any tax benefits that might result. SPIRITUOUS LIQUOR MAY ONLY BE
23 DISPENSED AND SERVED AT THE SPECIAL EVENT BY THE FOLLOWING PERSONS:

24 1. THE SPECIAL EVENT LICENSEE OR AN EMPLOYEE OF THE SPECIAL EVENT
25 LICENSEE, UNLESS THE SPECIAL EVENT IS AT THE PREMISES OF A LICENSED
26 RETAILER AND THE LICENSED RETAILER HAS AGREED TO DISPENSE AND SERVE THE
27 SPIRITUOUS LIQUOR.

28 2. THE SPECIAL EVENT CONTRACTOR OR AN EMPLOYEE OF THE SPECIAL EVENT
29 CONTRACTOR, UNLESS THE SPECIAL EVENT IS AT THE PREMISES OF A LICENSED
30 RETAILER AND THE LICENSED RETAILER HAS AGREED TO DISPENSE AND SERVE THE
31 SPIRITUOUS LIQUOR.

32 3. THE PRODUCER OR PRODUCERS WHO FURNISHED THE SPIRITUOUS LIQUOR.

33 4. THE WHOLESALER OR WHOLESALERS WHO FURNISHED THE SPIRITUOUS
34 LIQUOR.

35 H. IN ADDITION TO ALL OTHER ACTIONS THAT MAY BE TAKEN BY THE
36 DIRECTOR FOR VIOLATION OF THIS TITLE OR THE REGULATIONS ISSUED PURSUANT TO
37 THIS TITLE BY THE SPECIAL EVENT LICENSEE OR SPECIAL EVENT CONTRACTOR, THE
38 DEPARTMENT MAY LIMIT THE RIGHT OF THE LICENSEE TO OBTAIN A SPECIAL EVENT
39 LICENSE FOR A PERIOD OF UP TO ONE YEAR OR MAY LIMIT THE RIGHT OF THE
40 SPECIAL EVENT CONTRACTOR TO SUPPORT ANY LICENSED SPECIAL EVENT FOR A
41 PERIOD UP TO ONE YEAR. ANY PENALTY ISSUED PURSUANT TO THIS SUBSECTION MAY
42 BE APPEALED TO THE DEPARTMENT PURSUANT TO SECTION 4-210.02 AS IF THE ORDER
43 WAS A SANCTION AGAINST A LICENSEE. An organization that is issued a
44 license pursuant to subsection A, paragraph 2 of this section shall
45 receive at least seventy-five ~~per cent~~ PERCENT of the gross receipts of

1 the auction. Up to twenty-five ~~per cent~~ PERCENT of the gross receipts of
2 a special event auction conducted pursuant to subsection A, paragraph 2 of
3 this section may be used to pay reasonable and necessary expenses incurred
4 in connection with the auction. All expenses shall be supported by
5 written contracts, invoices or receipts, which shall be made available to
6 the director on request.

7 I. The director may adopt those rules the director determines are
8 necessary to implement and administer this section including a limitation
9 on the number of times during a calendar year a qualified organization may
10 apply for and be issued a license under this section. The qualified
11 organization issued a license pursuant to subsection A, paragraph 1 of
12 this section must receive at least twenty-five ~~per cent~~ PERCENT of the
13 gross revenues of all spirituous liquor sold at the special events, which
14 shall be supported by a contract between the parties to be supplied at the
15 time of application.

16 J. AT AN EVENT CONDUCTED PURSUANT TO SUBSECTION A, PARAGRAPH 1 OR 2
17 OF THIS SECTION, THE LICENSEE MAY CONDUCT A WINE PULL OR DISTILLED SPIRITS
18 PULL OF UP TO FIFTY BOTTLES OF WINE OR DISTILLED SPIRITS. FOR THE
19 PURPOSES OF THIS SUBSECTION A "WINE PULL" OR "DISTILLED SPIRITS PULL"
20 MEANS AN ACTIVITY WHERE, FOR A SET PRICE, ONE OR MORE ATTENDEES AT A
21 SPECIAL EVENT PAY FOR THE OPPORTUNITY TO SELECT AT THE EVENT ONE OR MORE
22 BOTTLES OF WINE OR DISTILLED SPIRITS WHERE THE VARIETY AND VINTAGE ARE
23 UNDISCLOSED. An organization that is issued a license pursuant to
24 subsection A, paragraph 2 of this section shall not sell more than twenty
25 cases of spirituous liquor annually under a special event license.

26 K. Section 4-201 does not apply to the licenses provided for under
27 this section.

28 L. A licensed PRODUCER OR wholesaler may donate spirituous liquor
29 directly to an organization that is issued a license pursuant to
30 subsection A of this section. The licensed PRODUCER OR wholesaler shall
31 in such instances issue a net zero cost billing invoice in the name of the
32 special event licensee. All licensees making or receiving spirituous
33 liquor donations remain subject to the applicable limitations and
34 requirements set forth in this title and in the rules adopted by the
35 department.

36 M. A licensed wholesaler may temporarily leave a delivery vehicle
37 and other items of equipment necessary for the sale or service of
38 spirituous liquor on the premises of a licensed special event for the
39 duration of the event and up to one business day before and after the
40 event.

41 N. THE HOLDER OF A LICENSE AUTHORIZED TO SELL OFF-SALE OR a
42 licensed wholesaler may leave PURCHASED spirituous liquor products at a
43 special event if the products are properly described on a preliminary
44 billing invoice ~~from the wholesaler~~ that is issued in the name of the
45 special event licensee. The HOLDER OF A LICENSE AUTHORIZED TO SELL

1 OFF-SALE OR THE licensed wholesaler has up to five business days after the
2 special event ends to make any necessary billing adjustments and issue a
3 final billing invoice to the special event licensee. WITHIN ONE BUSINESS
4 DAY AFTER THE CONCLUSION OF THE SPECIAL EVENT, THE SPECIAL EVENT LICENSEE
5 OR A SPECIAL EVENT CONTRACTOR SHALL RETURN UNBROKEN PACKAGES OF SPIRITUOUS
6 LIQUOR TO THE APPROPRIATE OFF-SALE LICENSEE OR WHOLESALER SUBJECT TO THE
7 APPLICABLE RULES OF THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE
8 BUREAU AND THE POLICY OF THE APPLICABLE OFF-SALE LICENSEE OR WHOLESALER.

9 O. THE DIRECTOR MAY ADOPT RULES DEEMED NECESSARY TO IMPLEMENT AND
10 ADMINISTER THIS SECTION FOR SPECIAL EVENT CONTRACTORS.

11 Sec. 6. Section 4-205, Arizona Revised Statutes, is amended to
12 read:

13 4-205. Issuance of club license; regulatory provisions;
14 revocation

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

17 B. The holder of a club license is authorized to sell and serve
18 alcoholic beverages for consumption only within the licensed establishment
19 owned, leased or occupied by the club, and only to bona fide members of
20 the club, and to serve and sell to members' bona fide guests. Attendance
21 at private clubs is limited to enrolled members of the club and their
22 spouses, families and bona fide guests. Admitted nonmember guests shall
23 not exceed more than fifty ~~per cent~~ PERCENT of attendance during any
24 month. This provision shall not limit the ability of a member or the club
25 to host wedding receptions, group meetings, civic meetings, scheduled
26 social functions, including bingo games, and other member or club hosted
27 functions where individuals are not admitted on the basis of being a guest
28 of a member of the club and attendance at the event shall not be
29 considered in computing the fifty ~~per cent~~ PERCENT requirement. EVENTS
30 THAT ARE HOSTED BY THE CLUB OR OTHER MEMBERS WHERE INDIVIDUALS ARE NOT
31 ADMITTED ON THE BASIS OF BEING A GUEST OF A MEMBER OF THE CLUB SHALL BE
32 LIMITED TO NOT MORE THAN TWELVE EVENTS IN A CALENDAR YEAR FOR EACH CLUB.

33 C. No member and no officer, agent or employee of a club licensee
34 shall be paid or shall directly or indirectly receive, in the form of
35 salary or other compensation, any of the profits from the revenue
36 producing activities of the club or from the distribution or sale of
37 alcoholic beverages to the members of the club or to its guests, beyond
38 the amount of the salary as fixed and voted on at a regular meeting by the
39 members of the club licensee or by its governing body out of the general
40 revenue of the licensee, nor shall such salaries or compensation be in
41 excess of reasonable compensation for the services actually performed.

42 D. The director may revoke a club license issued pursuant to this
43 section in any case in which the licensee ceases to operate as a bona fide
44 club as defined in section 4-101.

1 E. No club may hold a spirituous liquor license other than one
2 issued pursuant to this section, except that any club ~~which~~ THAT on
3 January 1, 1975 holds a spirituous liquor license other than one issued
4 pursuant to this section may use such license until such time as the
5 license is revoked or reverted.

6 Sec. 7. Section 4-205.02, Arizona Revised Statutes, is amended to
7 read:

8 4-205.02. Restaurant license; issuance; regulatory
9 provisions; expiration; definitions

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

15 B. The director shall issue the license in the name of the
16 restaurant on application for the license by the owner or lessee of the
17 restaurant, provided the applicant is otherwise qualified to hold a
18 spirituous liquor license. The holder of such license is subject to the
19 penalties prescribed for any violation of the law relating to alcoholic
20 beverages.

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

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

41 E. Neither the director nor the board may initially issue a
42 restaurant license if either finds that there is sufficient evidence that
43 the operation will not satisfy the criteria adopted by the director for
44 issuing a restaurant license described in section 4-209, subsection B,
45 paragraph 12. The director shall issue a restaurant license only if the

1 applicant has submitted a plan for the operation of the restaurant. The
2 plan shall be completed on forms provided by the department and shall
3 include listings of all restaurant equipment and service items, the
4 restaurant seating capacity and other information requested by the
5 department to substantiate that the restaurant will operate in compliance
6 with this section.

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

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

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

30 I. For the purposes of this section:

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

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

1 licensed craft distiller premises. The licensed craft distiller shall
2 purchase all other spirituous liquor for sale at the on-sale retail
3 premises from wholesalers that are licensed in this state, except that a
4 licensed craft distiller may:

5 (a) Purchase distilled spirits from other craft distillers that are
6 licensed in this state. Sales of craft distillery products not produced
7 or manufactured by the craft distiller shall be limited to no more than
8 ~~twenty per cent~~ PERCENT of the total sales by volume.

9 (b) Make deliveries of the distilled spirits that the craft
10 distiller manufactures or produces to any commonly controlled retail
11 licensed premises THAT ARE LOCATED ON OR ADJACENT TO THE CRAFT DISTILLER
12 PREMISES OR TO THE CRAFT DISTILLER'S REMOTE TASTING ROOMS AND THAT ARE
13 authorized pursuant to ~~paragraph 4 of this subsection~~ THIS PARAGRAPH. ~~The~~
14 ~~amount of these deliveries must be included in the limitation provided~~
15 ~~under paragraph 5 of this subsection.~~

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

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

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

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

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

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

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

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

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

44 (g) The craft distiller ~~shall collect~~ COLLECTS payment for the
45 price of the spirituous liquor no later than at the time of delivery.

1 ~~(h) Sales do not exceed the limits provided under paragraph 5 of~~
2 ~~this subsection.~~

3 D. On application by a craft ~~distillery~~ DISTILLER licensee, the
4 director may authorize a craft ~~distillery~~ DISTILLER licensee to operate
5 ~~one~~ TWO other remote tasting and retail premises if:

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

16 2. The craft ~~distillery~~ DISTILLER licensee:

17 (a) Remains responsible for the premises.

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

22 (c) Does not sublease the premises.

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

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

27 (f) FOR A TASTING ROOM WITH A SHARED PATIO, MEETS THE REQUIREMENTS
28 PRESCRIBED IN SECTION 4-205.12.

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

37 F. A craft distiller that sells or delivers distilled spirits
38 pursuant to this section shall:

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

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

43 G. A delivery of distilled spirits by a craft distiller to a
44 purchaser in this state is a transaction deemed to have occurred in this
45 state.

1 H. The director may adopt rules in order to administer this
2 section.

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

5 J. The director may issue a craft ~~distillery~~ DISTILLER license to
6 be located on the same parcel of land as a farm winery licensed pursuant
7 to section 4-205.04.

8 Sec. 9. Section 4-205.11, Arizona Revised Statutes, is amended to
9 read:

10 4-205.11. Craft distillery festival license; craft distillery
11 fair license; craft distillery fee

12 ~~A. The director, subject to the approval of the board of~~
13 ~~supervisors for events to be held in an unincorporated area or the~~
14 ~~governing body of a city or town for events to be held in a city or town,~~
15 ~~may issue up to twenty-five craft distillery festival licenses for each~~
16 ~~calendar year for each licensed craft distillery, for up to a total of~~
17 ~~seventy-five calendar days per craft distillery, authorizing sampling of~~
18 ~~craft distillery products on the craft distillery festival premises, the~~
19 ~~sale of the products for consumption on the craft distillery festival~~
20 ~~premises and the sale of the products in original containers for~~
21 ~~consumption off the craft distillery festival premises. The director may~~
22 ~~establish a per day fee for each event for a craft distillery festival~~
23 ~~license.~~

24 A. THE DIRECTOR MAY ISSUE ON A TEMPORARY BASIS A CRAFT DISTILLERY
25 FESTIVAL LICENSE THAT AUTHORIZES:

26 1. THE SAMPLING OF THE CRAFT DISTILLERY PRODUCTS ON THE CRAFT
27 DISTILLERY FESTIVAL PREMISES.

28 2. THE SALE OF PRODUCTS FOR CONSUMPTION ON THE CRAFT DISTILLERY
29 FESTIVAL PREMISES.

30 3. THE SALE OF PRODUCTS IN THE ORIGINAL CONTAINER FOR CONSUMPTION
31 OFF THE CRAFT DISTILLERY FESTIVAL PREMISES.

32 B. BEFORE THE DIRECTOR MAY ISSUE A CRAFT DISTILLERY FESTIVAL
33 LICENSE, A CRAFT DISTILLERY FESTIVAL THAT IS TO OCCUR AT AN OTHERWISE
34 UNLICENSED LOCATION OR AT A LOCATION THAT IS NOT FULLY WITHIN THE
35 LICENSEE'S EXISTING LICENSED PREMISES MUST BE APPROVED BY THE BOARD OF
36 SUPERVISORS OF THE COUNTY IF THE EVENT IS TO BE HELD IN AN UNINCORPORATED
37 AREA OR BY THE GOVERNING BODY OF THE CITY OR TOWN IF THE EVENT IS TO BE
38 HELD IN A CITY OR TOWN.

39 C. THE APPROVAL PROCESS PRESCRIBED IN THIS SECTION DOES NOT APPLY
40 TO PHYSICAL LOCATIONS THAT ARE FULLY LOCATED WITHIN A PREMISES THAT IS
41 LICENSED PURSUANT TO THIS TITLE.

42 D. THE DIRECTOR MAY ISSUE ONE OR MORE CRAFT DISTILLERY FESTIVAL
43 LICENSES FOR EACH CRAFT DISTILLERY LICENSED PURSUANT TO THIS TITLE, FOR A
44 TOTAL OF UP TO ONE HUNDRED FIFTY CALENDAR DAYS PER CRAFT DISTILLERY. THE

1 DIRECTOR MAY ESTABLISH A FEE FOR EACH DAY OF EACH EVENT FOR A CRAFT
2 DISTILLERY FESTIVAL LICENSE.

3 ~~B.~~ E. Any craft distillery may apply for a craft distillery
4 festival license pursuant to this section.

5 ~~C.~~ F. With the permission of the state or county fair organizers,
6 any craft distillery is authorized to allow sampling of craft distillery
7 products on the fair premises, the sale of the products for consumption on
8 the fair premises and the sale of the products in original containers for
9 consumption off of the fair premises at any sanctioned county or state
10 fair. The director may establish a per day fee for each event for a craft
11 distillery fair license.

12 ~~D.~~ G. Section 4-201 does not apply to the licenses provided for
13 under this section.

14 Sec. 10. Title 4, chapter 2, article 1, Arizona Revised Statutes,
15 is amended by adding section 4-205.12, to read:

16 4-205.12. Tasting rooms with shared patios

17 A. THE DIRECTOR MAY ISSUE A REMOTE TASTING ROOM LICENSE TO A CRAFT
18 DISTILLER OR A DOMESTIC FARM WINERY FOR A TASTING ROOM THAT IS LOCATED ON
19 THE SAME PROPERTY AS ANOTHER REMOTE TASTING ROOM LICENSE, SUBJECT TO THE
20 FOLLOWING CONDITIONS:

21 1. EACH REMOTE TASTING ROOM LICENSE SHALL BE HELD BY A DIFFERENT
22 PERSON.

23 2. EACH LICENSE SHALL BE LOCATED IN SEPARATE PREMISES THAT ARE
24 LICENSED SEPARATELY.

25 3. REMOTE TASTING ROOM LICENSEES MAY SHARE A COMMON INDOOR AREA AND
26 COMMON OUTDOOR PATIO FOR TASTING AND FOR CONSUMPTION OF THEIR PRODUCTS.

27 4. THE REMOTE TASTING ROOM LICENSEES SHALL EACH COMPLY FULLY WITH
28 ALL APPLICABLE REQUIREMENTS PRESCRIBED IN SECTIONS 4-205.04 AND 4-205.10.

29 5. REMOTE TASTING ROOM LICENSES WITH A COMBINED PREMISES UNDER THIS
30 SECTION CANNOT BE STACKED WITH ANY OTHER LICENSE ISSUED PURSUANT TO THIS
31 TITLE.

32 B. ALL REMOTE TASTING ROOM LICENSEES THAT SHARE A COMMON INDOOR
33 AREA AND OUTDOOR PATIO AS PROVIDED IN SUBSECTION A, PARAGRAPH 3 OF THIS
34 SECTION MAY EACH BE HELD LIABLE FOR ANY VIOLATION OF THIS TITLE.

35 Sec. 11. Section 4-206.01, Arizona Revised Statutes, is amended to
36 read:

37 4-206.01. Bar, beer and wine bar or liquor store licenses;
38 number permitted; fee; sampling privileges

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

42 B. In each county, the director, each year, shall issue additional
43 ~~bar, beer and wine bar~~ or liquor store licenses at the rate of one of each
44 type for each additional ten thousand person increase over the population
45 in that county as of July 1, 2010. Any licenses that have been revoked or

1 reverted in any county ~~after July 1, 2014~~ may be reissued by the director
2 in the county of their issuance. The director may waive the issuance of
3 any series of new, revoked or reverted licenses in a county for one year
4 where there has been no request made to the department for the issuance of
5 a new license of that series. For the purposes of this subsection, the
6 population of a county is deemed to be the population estimated by the
7 office of economic opportunity as of July 1 of each year.

8 C. IN EACH COUNTY, THE DIRECTOR, EACH YEAR, SHALL ISSUE ADDITIONAL
9 BEER AND WINE BAR LICENSES AT THE RATE OF ONE FOR EACH ADDITIONAL FIVE
10 THOUSAND PERSON INCREASE OVER THE POPULATION IN THAT COUNTY UNTIL JANUARY
11 1, 2022. BEGINNING JANUARY 1, 2022, IN EACH COUNTY, THE DIRECTOR, EACH
12 YEAR, SHALL ISSUE ADDITIONAL BEER AND WINE BAR LICENSES AT THE RATE OF ONE
13 FOR EACH ADDITIONAL TEN THOUSAND PERSON INCREASE OVER THE POPULATION IN
14 THAT COUNTY. ANY LICENSES THAT HAVE BEEN REVOKED OR REVERTED IN ANY
15 COUNTY MAY BE REISSUED BY THE DIRECTOR IN THE COUNTY WHERE THE LICENSES
16 WERE ORIGINALLY ISSUED. THE DIRECTOR MAY WAIVE THE ISSUANCE OF ANY SERIES
17 OF NEW, REVOKED OR REVERTED LICENSES IN A COUNTY FOR ONE YEAR IF THERE HAS
18 BEEN NO REQUEST MADE TO THE DEPARTMENT FOR THE ISSUANCE OF A NEW LICENSE
19 OF THAT SERIES. FOR THE PURPOSES OF THIS SUBSECTION, THE POPULATION OF A
20 COUNTY IS DEEMED TO BE THE POPULATION ESTIMATED AS OF JULY 1 OF EACH YEAR
21 BY THE OFFICE OF ECONOMIC OPPORTUNITY.

22 ~~C.~~ D. A person issued a license authorized by subsection B of this
23 section shall pay an additional issuance fee equal to the license's fair
24 market value that shall be paid to the state general fund. The fair
25 market value shall be defined to mean the mean value of licenses of the
26 same type sold on the open market in the same county during the prior
27 twelve months, but if there are not three or more sales then the fair
28 market value shall be determined by two appraisals furnished to the
29 department by independent professional appraisers employed by the
30 director.

31 ~~D.~~ E. The director shall employ professional appraisal services to
32 determine the fair market value of bar, beer and wine bar or liquor store
33 licenses.

34 ~~E.~~ F. If more than one person applies for an available license, a
35 priority of applicants shall be determined by a random selection method
36 prescribed by the director, EXCEPT THAT THE NUMBER OF TIMES THAT A PERSON
37 MAY ENTER THE RANDOM SELECTION PROCESS SHALL NOT EXCEED THE NUMBER OF
38 LICENSES OF THAT SERIES THAT ARE AVAILABLE FOR ISSUANCE. FOR THE PURPOSES
39 OF THIS SECTION, A PARTNERSHIP, LIMITED LIABILITY COMPANY, ASSOCIATION,
40 COMPANY OR CORPORATION SHALL BE CONSIDERED THE SAME PERSON IF OWNED,
41 MANAGED, OPERATED OR CONTROLLED BY THE SAME CONTROLLING PERSON, AS DEFINED
42 IN SECTION 4-101.

43 ~~F.~~ G. After January 1, 2011, bar licenses and beer and wine bar
44 licenses shall be issued and used only if the clear primary purpose and
45 actual primary use is for on-sale retailer privileges. The off-sale

1 privileges associated with a bar license and a beer and wine bar license
2 shall be limited to use, which is clearly auxiliary to the active primary
3 on-sale privilege. A bar license or a beer and wine bar license shall not
4 be issued or used if the associated off-sale use, by total retail
5 spirituous liquor sales, exceeds thirty percent of the sales price of
6 on-sale spirituous liquors by the licensee at that location. For dual
7 licenses issued pursuant to a single site or where a second license is
8 issued to a site that already has a spirituous liquor license, other than
9 settlement licenses issued as provided by law, the applicant shall have
10 the burden of establishing that public convenience and the best interest
11 of the community will be served by the issuance of the license.

12 ~~G.~~ H. The director may issue a beer and wine store license to the
13 holder of a beer and wine bar license simultaneously at the same
14 premises. An applicant for a beer and wine bar license and a beer and
15 wine store license may consolidate the application and may apply for both
16 licenses at the same time. The holder of each license shall fully comply
17 with all applicable provisions of this title. A beer and wine bar license
18 and beer and wine store license on the same premises shall be owned by and
19 issued to the same licensee.

20 ~~H.~~ I. The director may issue a beer and wine bar license to the
21 holder of a liquor store license issued simultaneously at the same
22 premises. An applicant for a liquor store license and a beer and wine bar
23 license may consolidate the application and may apply for both licenses at
24 the same time. The holder of each license shall fully comply with all
25 applicable provisions of this title. A liquor store license and a beer
26 and wine bar license on the same premises shall be owned by and issued to
27 the same licensee.

28 ~~I.~~ J. The director may issue a restaurant license to the holder of
29 a beer and wine bar license issued simultaneously at the same
30 premises. An applicant for a restaurant license and a beer and wine bar
31 license may consolidate the application and may apply for both licenses at
32 the same time. The holder of each license shall fully comply with all
33 applicable provisions of this title. A restaurant license and a beer and
34 wine bar license on the same premises shall be owned by and issued to the
35 same licensee. The limitation set forth in subsection ~~F~~ G of this
36 section with respect to the off-sale privileges of the beer and wine bar
37 licenses shall be measured against the on-sales of beer and wine sales of
38 the establishment. For the purposes of compliance with section 4-205.02,
39 subsection I, paragraph 2, it shall be conclusively presumed that all on
40 premises sales of spirituous liquors are made under the authority of the
41 restaurant license.

42 ~~J.~~ K. An applicant for a liquor store license or a beer and wine
43 store license and the licensee of a liquor store license or a beer and
44 wine store license may apply for sampling privileges associated with the
45 license. Beer and wine store premises containing less than five thousand

1 square feet must dedicate at least seventy-five percent of retail shelf
2 space to the sale of spirituous liquor in order to be eligible for
3 sampling privileges. A person desiring a sampling privilege associated
4 with a liquor store license shall apply to the director on a form
5 prescribed and furnished by the director. The application for sampling
6 privileges may be filed for an existing license or may be submitted with
7 an initial license application. The request for sampling approval, the
8 review of the application and the issuance of approval shall be conducted
9 under the same procedures for the issuance of a spirituous liquor license
10 prescribed in section 4-201. After a sampling privilege has been issued
11 for a liquor store license or a beer and wine store license, the sampling
12 privilege shall be noted on the license itself and in the records of the
13 department. The sampling rights associated with a license are not
14 transferable. The director may charge a fee for processing each
15 application for sampling privileges and a renewal fee as provided in this
16 section. A city or town shall not charge any fee relating to the issuance
17 or renewal of a sampling privilege. Notwithstanding section 4-244,
18 paragraph 19, a liquor store licensee or a beer and wine store licensee
19 that holds a license with sampling privileges may provide spirituous
20 liquor sampling subject to the following requirements:

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

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

26 3. The licensed retailer shall make sales of sampled products from
27 the licensed retail premises.

28 4. The licensee shall not charge any customer for the sampling of
29 any products.

30 5. The sampling shall be conducted under the supervision of an
31 employee of a sponsoring distiller, vintner, brewer, wholesaler or retail
32 licensee.

33 6. Accurate records of sampling products dispensed shall be
34 retained by the licensee.

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

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

39 ~~K~~ L. If a beer and wine bar license and a beer and wine store
40 license are issued at the same premises, for the purposes of reporting
41 liquor purchases under each license, all spirituous beverages purchased
42 for sampling are conclusively presumed to be purchased under the beer and
43 wine bar license and all spirituous liquor sold off-sale are conclusively
44 presumed to be purchased under the beer and wine store license.

1 ~~T~~. M. The director may issue a beer and wine store license to the
2 holder of a bar license simultaneously at the same premises. An applicant
3 for a beer and wine store license and a bar license may consolidate the
4 application and may apply for both licenses at the same time. The holder
5 of each license shall fully comply with all applicable provisions of this
6 title. A beer and wine store license and a bar license on the same
7 premises shall be owned by and issued to the same licensee. If a beer and
8 wine store license and a bar license are issued at the same premises, for
9 purposes of reporting liquor purchases under each license, all off-sale
10 beer and wine sales are conclusively presumed to be purchased under the
11 beer and wine store license.

12 Sec. 12. Section 4-209, Arizona Revised Statutes, is amended to
13 read:

14 4-209. Fees for license, application, issuance, renewal and
15 transfer; late renewal penalty; seasonal operation;
16 surcharges

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

40 B. Issuance fees for original licenses shall be:

41 1. For an in-state producer's license, to manufacture or produce
42 spirituous liquor in this state, one thousand five hundred dollars.

43 2. Except as provided in paragraph 15 of this subsection, for an
44 out-of-state producer's, exporter's, importer's or rectifier's license,
45 two hundred dollars.

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

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

7 D. The annual fees for licenses shall be:

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

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

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

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

16 5. For a government license issued to a county, city or town,
17 community college or state university or the national guard, one hundred
18 dollars.

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

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

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

33 9. For a liquor store license, which is an off-sale retailer's
34 license to sell all spirituous liquors, fifty dollars.

35 10. For a beer and wine store license, which is an off-sale
36 retailer's license to sell beer and wine, fifty dollars.

37 11. For a hotel-motel license issued as such, to sell and serve
38 spirituous liquors solely for consumption on the licensed premises of the
39 hotel or motel, five hundred dollars.

40 12. For a restaurant license issued as such, to sell and serve
41 spirituous liquors solely for consumption on the licensed premises of the
42 restaurant, five hundred dollars, and for a restaurant license that is
43 permitted to continue operating as a restaurant pursuant to section 4-213,
44 subsection E, an additional amount established by the director. The

1 department shall transfer this amount to the state treasurer for deposit
2 in the state general fund.

3 13. For a farm winery license, one hundred dollars. The director
4 may charge a licensed farm winery an annual fee pursuant to section
5 4-205.04, subsection L.

6 14. For a club license issued in the name of a bona fide club
7 qualified under this title to sell all spirituous liquors on-sale, one
8 hundred fifty dollars.

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

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

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

19 F. Transfer fees from person to person for licenses transferred
20 pursuant to section 4-203, subsection C shall be three hundred dollars.

21 G. Transfer fees from location to location, as provided for in
22 section 4-203, shall be one hundred dollars.

23 H. Assignment fees for a change of agent, as provided for in
24 section 4-202, subsection A, AN ACQUISITION OF CONTROL, AS PROVIDED FOR IN
25 SECTION 4-203, SUBSECTION F, OR A RESTRUCTURING, AS PROVIDED FOR IN
26 SECTION 4-203, SUBSECTION H, shall be one hundred dollars, except that
27 where a licensee holds multiple licenses AND REQUESTS MULTIPLE,
28 SIMULTANEOUS CHANGES, the ~~assignment~~ CHANGE OF AGENT, ACQUISITION OF
29 CONTROL OR RESTRUCTURING fee for the first license shall be one hundred
30 dollars and the ~~assignment~~ fee for all remaining licenses ~~transferred to~~
31 ~~the same or a new agent, or with the same acquiring party or parties,~~
32 shall be fifty dollars each, except that the aggregate ~~assignment~~ fees
33 shall ~~in no event~~ NOT exceed one thousand dollars FOR ALL CHANGE OF
34 AGENTS, ONE THOUSAND DOLLARS FOR ALL ACQUISITIONS OF CONTROL AND ONE
35 THOUSAND DOLLARS FOR ALL RESTRUCTURINGS.

36 I. No fee shall be charged by the department for an assignment of a
37 liquor license in probate or an assignment pursuant to the provisions of a
38 will or pursuant to a judicial decree in a domestic relations proceeding
39 that assigns ownership of a business that includes a spirituous liquor
40 license to one of the parties in the proceeding. In the case of
41 nontransferable licenses no fee shall be charged by the department for the
42 issuance of a license for a licensed business pursuant to a transfer of
43 the business in probate or pursuant to the provisions of a will or
44 pursuant to a judicial decree in a domestic relations proceeding that
45 assigns ownership of the business to one of the parties in the proceeding.

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

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

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

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

33 Sec. 13. Section 4-213, Arizona Revised Statutes, is amended to
34 read:

35 4-213. Restaurant audit

36 A. The director may require a restaurant to submit an audit of its
37 records to demonstrate compliance with section 4-205.02. The director
38 shall not require an establishment to submit to such an audit more than
39 once a year after the initial twelve months of operation AND SHALL NOT
40 AUDIT THE FIRST THREE MONTHS OF OPERATION even if the establishment is
41 allowed to continue operating as a restaurant pursuant to subsection E of
42 this section.

43 B. Except as provided in subsection D of this section, the
44 department shall audit accounts, records and operations of a licensee that
45 cover a twelve month period. When conducting an audit, the department

1 shall use generally accepted auditing standards. An establishment that
2 averages at least forty ~~per cent~~ PERCENT of its gross revenue from the
3 sale of food during the twelve month audit period shall be deemed to
4 comply with the gross revenue requirements of section 4-205.02. The
5 twelve month audit period shall fall within the sixteen months immediately
6 preceding the beginning of the audit.

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

12 1. Less than thirty ~~per cent~~ PERCENT, notwithstanding section
13 4-209, subsection A, the director shall deem the license to have been
14 surrendered or may revoke the license as provided in section 4-205.02,
15 subsection D.

16 2. At least thirty ~~per cent~~ PERCENT but less than thirty-seven ~~per~~
17 ~~cent~~ PERCENT, the department shall allow the licensee a ~~six month~~
18 SIX-MONTH period to continue to operate under the restaurant license,
19 during which the licensee shall either:

20 (a) Replace the license with a bar or beer and wine bar license,
21 except that, at the end of that ~~six month~~ SIX-MONTH period, the department
22 shall revoke the restaurant license or the licensee shall surrender the
23 restaurant license.

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

26 3. At least thirty-seven ~~per cent~~ PERCENT but less than forty ~~per~~
27 ~~cent~~ PERCENT, the licensee shall be granted a period of one year to
28 continue to operate under the restaurant license, during which the
29 licensee shall attempt to increase the food percentage to at least forty
30 ~~per cent~~ PERCENT. If the licensee does not increase the percentage of
31 food sales to at least forty ~~per cent~~ PERCENT, the department shall allow
32 the licensee a ~~six month~~ SIX-MONTH period to continue to operate under the
33 restaurant license, during which the licensee shall either:

34 (a) Replace the license with a bar or beer and wine bar license,
35 except that, at the end of the ~~six month~~ SIX-MONTH period, the department
36 shall revoke the restaurant license or the licensee shall surrender the
37 restaurant license.

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

40 D. The department may conduct an audit of a licensee described in
41 section 4-209, subsection B, paragraph 12 after twelve months following
42 the beginning of operations as a restaurant by the licensee to determine
43 compliance by the licensee with section 4-205.02, except that the
44 department may conduct an audit of a licensee within the first twelve
45 months of operation if the licensee has made a substantial modification in

1 the restaurant equipment, service or entertainment items or seating
2 capacity during that ~~twelve month~~ TWELVE-MONTH period, in which event the
3 department may conduct the audit for a period of less than twelve months.

4 E. A restaurant licensee may continue to operate with its
5 restaurant license if its food sales are at least thirty ~~per cent~~ PERCENT
6 and less than forty ~~per cent~~ PERCENT and the department approves the
7 continuation of the restaurant license pursuant to this subsection and
8 subsections C, F, G, H and I of this section. The department shall not
9 approve more than fifteen restaurant licenses pursuant to this subsection
10 and subsections C, F, G, H and I of this section in any fiscal year. The
11 department shall not approve any additional licenses pursuant to this
12 subsection and subsections C, F, G, H and I of this section from consent
13 agreements entered into or audits conducted in any fiscal year after
14 2012-2013. The department may approve a request submitted by the licensee
15 to continue to operate with its restaurant license only if all of the
16 following apply at the time the licensee files its request with the
17 department:

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

21 2. The restaurant's equipment is of a sufficient grade and the size
22 of the restaurant's kitchen is appropriate to the menu offered and the
23 kitchen occupies not less than twenty ~~per cent~~ PERCENT of the total floor
24 space of the licensed premises.

25 3. The menu is of a type consistent with a restaurant operation.
26 In making a determination pursuant to this paragraph, the department may
27 consider the proportion of food sales to alcohol sales, the price of
28 spirituous liquor beverages and food served by the licensee and whether
29 the licensee provides reduced price or complimentary food and beverages.

30 4. Not more than thirty ~~per cent~~ PERCENT of the public interior
31 area floor space consists of pool tables, dart or arcade games, barstools,
32 cocktail tables and similar types of seating and dance floors, and the
33 aggregate area of all dance floors on the premises is not greater than ten
34 ~~per cent~~ PERCENT of the total floor space of the public area of the
35 premises.

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

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

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

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

1 2. The city or town or the county shall post a notice for at least
2 twenty days on the licensed premises that the licensee has made a request
3 for continuation to operate with a restaurant license and invite bona fide
4 residents who own, lease or reside on property within a one mile radius of
5 the licensed premises to file written comments with the department
6 regarding the request within thirty days ~~of~~ AFTER the first posting of the
7 notice.

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

11 H. If the department intends to disapprove a restaurant's
12 continuation of operation pursuant to subsection E of this section, or if
13 the local jurisdiction or its agent timely objects to its continuation,
14 the department shall set a hearing before the board and the local
15 jurisdiction shall post a notice of the hearing for a period of at least
16 twenty days on the licensed premises. The city or town or the county may
17 testify at the hearing and bona fide residents who own, lease or reside on
18 property within a one mile radius of the licensed premises may testify
19 before the board regarding the licensee's request. The board shall
20 determine whether the restaurant may continue its operation based on
21 consideration of the criteria listed in subsection E of this section.

22 I. A restaurant licensee may continue to operate with its
23 restaurant license pursuant to subsection E of this section if the
24 restaurant and the restaurant licensee continue to meet the requirements
25 of this subsection, subsection E of this section and any other statute.
26 As a condition of continuing operation as a restaurant under subsection E
27 of this section, the department may require the licensee to specifically
28 acknowledge the representations made by the licensee regarding its
29 operations in support of the licensee's continuing operation as a
30 restaurant. Notwithstanding subsection A of this section, if the licensee
31 changes its operation in any way that materially and detrimentally affects
32 the representations made by the licensee, the department may audit the
33 licensee or terminate the license without an audit.

34 J. Notwithstanding section 4-209, subsection D, paragraph 12, the
35 state treasurer shall deposit five ~~per cent~~ PERCENT of the annual fee for
36 a restaurant that is permitted to continue operating as a restaurant
37 pursuant to subsection E of this section in the driving under the
38 influence abatement fund established by section 28-1304.

39 Sec. 14. Section 4-243, Arizona Revised Statutes, is amended to
40 read:

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

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

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

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

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

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

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

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

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

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

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

26 B. This section does not prohibit any distiller, vintner, brewer,
27 rectifier, blender or other producer or wholesaler of any spirituous
28 liquor from:

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

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

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

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

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

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

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

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

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

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

12 (b) The producer or wholesaler shall notify the department in
13 writing or by electronic means not less than five days before the sampling
14 of the date, time and location of the sampling and of the name of the
15 wholesaler or producer distributing the product.

16 (c) Sampling shall be limited to three ounces of beer, one and
17 one-half ounces of wine or one ounce of distilled spirits per person per
18 day for consumption on the premises and up to seventy-two ounces of beer
19 and two ounces of distilled spirits per person per day for consumption off
20 the premises.

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

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

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

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

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

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

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

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

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

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

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

16 E. NOTWITHSTANDING SUBSECTION A, PARAGRAPHS 4 AND 7 OF THIS
17 SECTION, A WHOLESALER MAY IN THE WHOLESALER'S SOLE DISCRETION ACCEPT THE
18 RETURN OF MALT BEVERAGE PRODUCTS FROM AN ON-SALE RETAILER UNDER ANY OF THE
19 FOLLOWING CONDITIONS:

20 1. THE RETAILER'S LICENSED PREMISES WILL BE CLOSED FOR BUSINESS FOR
21 THIRTY OR MORE CONSECUTIVE DAYS, AND THE PRODUCTS ARE LIKELY TO SPOIL OR
22 EXPIRE DURING THE BUSINESS CLOSING PERIOD.

23 2. THE RETAILER'S LICENSED PREMISES IS USED PRIMARILY AS A MUSIC OR
24 LIVE SPORTING VENUE WITH A PERMANENT OCCUPANCY OF MORE THAN ONE THOUSAND
25 PEOPLE, AND THE PRODUCTS ARE LIKELY TO SPOIL OR EXPIRE DURING THE TIME
26 PERIOD BETWEEN VENUE EVENTS.

27 3. THE RETAILER HOLDS A GOVERNMENTAL ENTITY LICENSE AND CONDUCTS
28 LESS THAN SIX EVENTS PER YEAR AT WHICH PRODUCTS ARE SOLD, AND THE PRODUCTS
29 ARE LIKELY TO SPOIL OR EXPIRE DURING THE TIME PERIOD BETWEEN EVENTS.

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

36 Sec. 15. Section 4-250.01, Arizona Revised Statutes, is amended to
37 read:

38 4-250.01. Out-of-state person engaged in business as
39 producer, exporter, importer, rectifier or
40 retailer; violation; cease and desist order;
41 civil penalty

42 A. An out-of-state person engaged in business IN THIS STATE as a
43 producer, exporter, importer, ~~OR~~ rectifier, RETAILER OR WHOLESALER WITHOUT
44 A LICENSE ISSUED UNDER THIS TITLE shall comply with this title as if
45 licensed by this state. AN OUT-OF-STATE PERSON ENGAGED IN BUSINESS IN

1 THIS STATE AS A PRODUCER, EXPORTER, IMPORTER, RECTIFIER, RETAILER OR
2 WHOLESALER SHALL BE DEEMED TO HAVE CONSENTED TO THE JURISDICTION OF THE
3 DEPARTMENT, ANY OTHER AGENCY OF THIS STATE, THE COURTS OF THIS STATE AND
4 ALL OTHER RELATED LAWS, RULES OR REGULATIONS. An out-of-state person
5 engaged in business IN THIS STATE as a producer, exporter, importer, ~~or~~
6 ~~rectifier~~, RETAILER OR WHOLESALER who violates this title is subject to a
7 fine or a civil penalty and suspension or revocation of the right to do
8 business in this state.

9 B. If the director has reasonable cause to believe that an
10 out-of-state person engaged in business as a producer, exporter, importer,
11 ~~or~~ rectifier, RETAILER OR WHOLESALER is acting in violation of this title,
12 the director may serve a cease and desist order requiring the person to
13 cease and desist the violation.

14 ~~C. The director may impose a civil penalty up to one hundred fifty~~
15 ~~thousand dollars per violation against an out-of-state person who is~~
16 ~~engaged in business as a producer, exporter, importer or rectifier and who~~
17 ~~knowingly violates a cease and desist order issued by the director~~
18 ~~pursuant to subsection B of this section.~~

19 C. IF AN OUT-OF-STATE PERSON WHO IS ENGAGED IN BUSINESS IN THIS
20 STATE AS A PRODUCER, EXPORTER, IMPORTER, RECTIFIER, RETAILER OR WHOLESALER
21 KNOWINGLY VIOLATES A CEASE AND DESIST ORDER ISSUED BY THE DIRECTOR
22 PURSUANT TO SUBSECTION B OF THIS SECTION, THE DIRECTOR MAY:

23 1. IMPOSE A CIVIL PENALTY OF UP TO ONE HUNDRED FIFTY THOUSAND
24 DOLLARS FOR EACH VIOLATION.

25 2. NOTIFY THE DEPARTMENT OF REVENUE OF THE VIOLATION FOR THE
26 PURPOSES OF COLLECTION OF ANY TRANSACTION PRIVILEGE TAX OR LUXURY
27 PRIVILEGE TAX DUE.

28 3. NOTIFY THE APPLICABLE AGENCY OR REGULATORY BODY IN THE STATE IN
29 WHICH THE PERSON IS LICENSED OF THE VIOLATION.

30 4. GIVE NOTICE OF THE VIOLATION TO THE PRODUCERS, EXPORTERS,
31 IMPORTERS, RECTIFIERS, RETAILERS, WHOLESALERS, COMMON CARRIERS AND
32 CONSUMERS CONNECTED TO THE TRANSACTION IF THE OUT-OF-STATE PERSON HAS
33 SHIPPED LIQUOR INTO THE STATE IN VIOLATION OF THIS TITLE.

APPROVED BY THE GOVERNOR APRIL 18, 2017.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 18, 2017.

Passed the House February 13, 20 17

Passed the Senate April 3, 20 17

by the following vote: 48 Ayes,

by the following vote: 24 Ayes,

11 Nays, 1 Not Voting

4 Nays, 0 Not Voting

[Signature]
Speaker of the House
 Pro Tempore

[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 received by the Governor this

_____ day of _____, 20 _____

at _____ o'clock _____ M.

Secretary to the Governor

Approved this _____ day of

at _____ o'clock _____ M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this _____ day of _____, 20 _____

at _____ o'clock _____ M.

Secretary of State

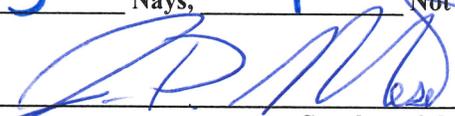
H.B. 2337

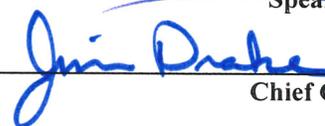
HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

April 13, 2017,

by the following vote: 43 Ayes,

13 Nays, 4 Not Voting



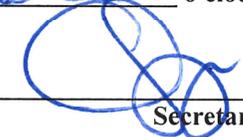
Speaker of the House


Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

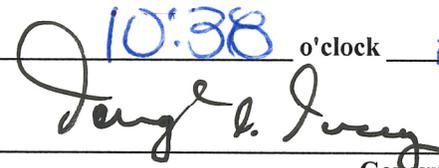
This Bill was received by the Governor this
17th day of April, 2017,

at 8:52 o'clock A. M.



Secretary to the Governor

Approved this 18th day of
April, 2017,

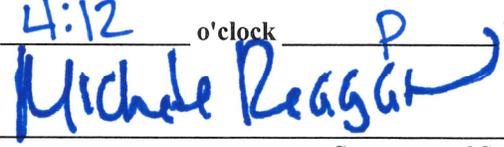
at 10:38 o'clock A. M.


Governor of Arizona

H.B. 2337

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this 18 day of April, 2017,

at 4:12 o'clock P. M.


Secretary of State