



**Bill Number: S.B. 1556**

**Shope Floor Amendment**

**Reference to: printed bill**

**Amendment drafted by: Leg Council**

## **FLOOR AMENDMENT EXPLANATION**

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- 1. Specifies that a single-serving container must not have:**
  - a) more than 10 milligrams of total tetrahydrocannabinol (THC) per container for sale in off-premises licensed establishments; or**
  - b) more than 5 milligrams of THC per container for sale in on-premises licensed establishments.**
- 2. Eliminates the authorization for an existing government series liquor license to apply and be granted the privilege to sell adult hemp beverages.**
- 3. Adds a statement of legislative intent.**
- 4. Makes technical and conforming changes.**

SHOPE FLOOR AMENDMENT  
SENATE AMENDMENTS TO S.B. 1556  
(Reference to printed bill)

Amendment instruction key:

[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.

[Green underlining in brackets] indicates text added to new session law or text restoring existing law.

[GREEN STRIKEOUT IN BRACKETS] indicates new text removed from statute or previously enacted session law.

[Green strikeout in brackets] indicates text removed from existing statute, previously enacted session law or new session law.

<<Green carets>> indicate a section added to the bill.

<<Green strikeout in carets>> indicates a section removed from the bill.

1 The bill as proposed to be amended is reprinted as follows:

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

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

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

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

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

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

14 2. Include complete and accurate information.

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

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

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

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

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

4 G. A member of an Indian tribe may apply for a license pursuant to  
5 this section. If a member of an Indian tribe is issued a license pursuant  
6 to this section, the member is subject to the requirements prescribed in  
7 this article.

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

11 Sec. 2. Heading change

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

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

16 4-101. Definitions

17 In this title, unless the context otherwise requires:

18 1. "Act of violence":

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

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

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

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

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

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

32 2. "ADULT HEMP BEVERAGE" MEANS ANY BEVERAGE THAT CONTAINS LESS THAN  
33 THIRTY MILLIGRAMS PER LITER BY VOLUME OF TOTAL TETRAHYDROCANNABINOL, THAT  
34 IS DERIVED FROM INDUSTRIAL HEMP AND THAT IS INTENDED FOR HUMAN  
35 CONSUMPTION.

36 3. "ADULT HEMP BEVERAGES MANUFACTURER" MEANS ANY INDIVIDUAL,  
37 PARTNERSHIP, CORPORATION, COOPERATIVE ASSOCIATION OR OTHER BUSINESS ENTITY  
38 THAT IS LICENSED TO MANUFACTURE HEMP-DERIVED TETRAHYDROCANNABINOL INTO  
39 ADULT HEMP BEVERAGES PRODUCTS.

40 4. "ADULT HEMP BEVERAGES MULTIPLE-SERVING CONTAINER" MEANS ANY  
41 RESEALABLE CONTAINER THAT CONTAINS AN ADULT HEMP BEVERAGE AND THAT HAS AN  
42 INTERNAL VOLUME OF AT LEAST THREE HUNDRED SEVENTY-FIVE MILLILITERS OR  
43 12.68 FLUID OUNCES.

44 5. "ADULT HEMP BEVERAGES SINGLE-SERVING CONTAINER" MEANS ANY  
45 NONRESEALABLE CONTAINER THAT CONTAINS AN ADULT HEMP BEVERAGE AND THAT HAS  
46 AN INTERNAL VOLUME OF AT LEAST TWO HUNDRED MILLILITERS OR 6.76 FLUID  
47 OUNCES.

1       ~~2-~~ 6. "Aggrieved party" means a person who resides at, owns or  
2 leases property within a one-mile radius of premises proposed to be  
3 licensed and who filed a written request with the department to speak in  
4 favor of or opposition to the issuance of the license not later than sixty  
5 days after filing the application or fifteen days after action by the  
6 local governing body, whichever is sooner.

7       ~~3-~~ 7. "Beer":

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

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

16       ~~4-~~ 8. "Biometric identity verification device" means a device  
17 authorized by the department that instantly verifies the identity and age  
18 of a person by an electronic scan of a biometric of the person, through a  
19 fingerprint, iris image, facial image or other biometric characteristic,  
20 or any combination of these characteristics, that references the person's  
21 identity and age against any record described in section 4-241, subsection  
22 K, and that meets all of the following conditions:

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

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

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

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

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

35       ~~5-~~ 9. "Board" means the state liquor board.

36       ~~6-~~ 10. "Bona fide guest" means:

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

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

46       ~~7-~~ 11. "Broken package" means any container of spirituous liquor  
47 on which the United States tax seal has been broken or removed or ANY

1 CONTAINER OF SPIRITUOUS LIQUOR OR ADULT HEMP BEVERAGES from which the cap,  
2 cork or seal placed on the container by the manufacturer has been removed.

3 ~~8-~~ 12. "Club" includes any of the following organizations where  
4 the sale of spirituous liquor OR ADULT HEMP BEVERAGES for consumption on  
5 the premises is made only to members, spouses of members, families of  
6 members, bona fide guests of members and guests at other events authorized  
7 in this title:

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

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

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

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

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

1 OR ADULT HEMP BEVERAGES, but solely to a bona fide club, where the sale of  
2 liquor OR ADULT HEMP BEVERAGES is incidental to the main purposes of the  
3 club.

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

7 ~~9-~~ 13. "Company" or "association", when used in reference to a  
8 corporation, includes successors or assigns.

9 ~~10-~~ 14. "Control" means the power to direct or cause the direction  
10 of the management and policies of an applicant or licensee, whether  
11 through the ownership of voting securities or a partnership interest, by  
12 agreement or otherwise. Control is presumed to exist if a person has the  
13 direct or indirect ownership of or power to vote ten percent or more of  
14 the outstanding voting securities of the applicant or licensee or to  
15 control in any manner the election of one or more of the directors of the  
16 applicant or licensee. In the case of a partnership, control is presumed  
17 to mean the general partner or a limited partner who holds ten percent or  
18 more of the voting rights of the partnership. For the purposes of  
19 determining the percentage of voting securities owned, controlled or held  
20 by a person, there shall be aggregated with the voting securities  
21 attributed to the person the voting securities of an officer, partner,  
22 employee or agent of the person or a spouse, parent or child of the  
23 person. Control is also presumed to exist if a creditor of the applicant  
24 or licensee holds a beneficial interest in ten percent or more of the  
25 liabilities of the licensee. The presumptions in this paragraph regarding  
26 control are rebuttable.

27 ~~11-~~ 15. "Controlling person" means a person directly or indirectly  
28 possessing control of an applicant or licensee.

29 ~~12-~~ 16. "Craft distiller" means a distiller in the United States  
30 or in a territory or possession of the United States that holds a license  
31 pursuant to section 4-205.10.

32 ~~13-~~ 17. "Craft producer" means a licensed farm winery, a licensed  
33 microbrewery or a licensed craft distiller.

34 ~~14-~~ 18. "Department" means the department of liquor licenses and  
35 control.

36 ~~15-~~ 19. "Director" means the director of the department of liquor  
37 licenses and control.

38 ~~16-~~ 20. "Distilled spirits" includes alcohol, brandy, whiskey,  
39 rum, tequila, mescal, gin, absinthe, a compound or mixture of any of them  
40 or of any of them with any vegetable or other substance, alcohol bitters,  
41 bitters containing alcohol, fruits preserved in ardent spirits, and any  
42 alcoholic mixture or preparation, whether patented or otherwise, that may  
43 in sufficient quantities produce intoxication.

44 ~~17-~~ 21. "Employee" means any person who performs any service on  
45 licensed premises on a full-time, part-time or contract basis with consent  
46 of the licensee, whether or not the person is denominated an employee or  
47 independent contractor or otherwise. Employee does not include a person

1 who is exclusively on the premises for musical or vocal performances, for  
2 repair or maintenance of the premises or for the delivery of goods to the  
3 licensee.

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

7 ~~19.~~ 23. "Government license" means a license to serve and sell  
8 spirituous liquor on specified premises available only to a state agency,  
9 state board, state commission, county, city, town, community college or  
10 state university or the national guard or Arizona coliseum and exposition  
11 center on application by the governing body of the state agency, state  
12 board, state commission, county, city, town, community college or state  
13 university or the national guard or Arizona exposition and state fair  
14 board.

15 24. "HEMP OR INDUSTRIAL HEMP":

16 (a) HAS THE SAME MEANING AS INDUSTRIAL HEMP AS DEFINED IN SECTION  
17 3-311.

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

19 25. "HEMP BEVERAGES MANUFACTURE" AND "HEMP BEVERAGES MANUFACTURING"  
20 MEANS TO COMPOUND, BLEND, INFUSE OR OTHERWISE MAKE OR PREPARE AN ADULT  
21 HEMP BEVERAGE.

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

25 ~~20.~~ 27. "Legal drinking age" means twenty-one years of age or  
26 older.

27 ~~21.~~ 28. "License" means a license or ~~an interim~~ A retail permit  
28 issued pursuant to this title.

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

32 ~~23.~~ 30. "License fees" means fees collected for license issuance,  
33 license application, license renewal, interim permit issuance and license  
34 transfer between persons or locations.

35 ~~24.~~ 31. "Manager" means a natural person who meets the standards  
36 required of licensees and who has authority to organize, direct, carry on,  
37 control or otherwise operate a licensed business on a temporary or  
38 full-time basis.

39 ~~25.~~ 32. "Menu food item" means a food item from a regular menu,  
40 special menu or happy hour menu that is prepared by the licensee or the  
41 licensee's employee.

42 ~~26.~~ 33. "Microbrewery" means a brewery in the United States or in  
43 a territory or possession of the United States that meets the requirements  
44 of section 4-205.08.

45 ~~27.~~ 34. "Mixed cocktail":

46 (a) Means any drink combined at the premises of an authorized  
47 licensee that contains a spirituous liquor and that is combined with at

1 least one other ingredient **OTHER THAN AN ADULT HEMP BEVERAGE**, which may  
2 include additional spirituous liquors, fruit juice, vegetable juice,  
3 mixers, cream, flavored syrup or other ingredients except water, and that  
4 when combined contains more than one-half of one percent of alcohol by  
5 volume.

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

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

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

21 ~~30.~~ 37. "Permanent occupancy" means the maximum occupancy of the  
22 building or facility as set by the office of the state fire marshal for  
23 the jurisdiction in which the building or facility is located.

24 38. **"PERMIT" MEANS A PERMIT ISSUED PURSUANT TO THIS TITLE.**

25 ~~31.~~ 39. "Person" includes a partnership, limited liability  
26 company, association, company or corporation, as well as a natural person.

27 ~~32.~~ 40. "Premises" or "licensed premises":

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

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

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

39 ~~33.~~ 42. "Registered alcohol **OR ADULT HEMP BEVERAGE** delivery  
40 contractor":

41 (a) Means a person who delivers spirituous liquor **OR ADULT HEMP  
42 BEVERAGES** to a consumer on behalf of a bar, beer and wine bar, liquor  
43 store, beer and wine store or restaurant.

44 (b) Does not include:

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



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

4 ~~34.~~ 43. "Registered mail" includes certified mail.

5 ~~35.~~ 44. "Registered retail agent" means any person who is  
6 authorized pursuant to section 4-222 to purchase spirituous liquors OR  
7 ADULT HEMP BEVERAGES for and on behalf of the person and other retail  
8 licensees.

9 ~~36.~~ 45. "Repeated acts of violence" means:

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

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

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

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

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

25 ~~37.~~ 46. "Sell" includes soliciting or receiving an order for,  
26 keeping or exposing for sale, directly or indirectly delivering for value,  
27 peddling, keeping with intent to sell and trafficking in.

28 ~~38.~~ 47. "Spirituous liquor" includes alcohol, brandy, whiskey,  
29 rum, tequila, mescal, gin, wine, porter, ale, beer, any malt liquor or  
30 malt beverage, absinthe, a compound or mixture of any of them or of any of  
31 them with any vegetable or other substance, alcohol bitters, bitters  
32 containing alcohol, any liquid mixture or preparation, whether patented or  
33 otherwise, that produces intoxication, fruits preserved in ardent spirits,  
34 and beverages containing more than one-half of one percent of alcohol by  
35 volume.

36 ~~39.~~ 48. "Tamperproof sealed" means designed to prevent consumption  
37 without the removal of a tamperproof cap, seal, cork or closure that has a  
38 device, mechanism or adhesive that clearly shows whether a container has  
39 been opened.

40 49. "TOTAL TETRAHYDROCANNABINOL" MEANS ANY COMBINATION OF  
41 TETRAHYDROCANNABINOLIC ACID OR A TETRAHYDROCANNABINOL COMPONENT OR ANY  
42 DERIVATIVE THEREOF.

43 ~~40.~~ 50. "Vehicle" means any means of transportation by land, water  
44 or air, and includes everything made use of in any way for such  
45 transportation.

1       ~~41.~~ 51. "Vending machine" means a machine that dispenses  
2 merchandise through the means of coin, token, credit card or other  
3 nonpersonal means of accepting payment for merchandise received.

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

10       ~~43.~~ 53. "Voting security" means any security presently entitling  
11 the owner or holder of the security to vote for the election of directors  
12 of an applicant or a licensee.

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

17       Sec. 4. Section 4-112, Arizona Revised Statutes, is amended to  
18 read:

19       4-112. Powers and duties of board and director of department  
20               of liquor licenses and control; investigations;  
21               county and municipal regulation; definition

22       A. The board shall:

23       1. Grant and deny applications in accordance with ~~the provisions of~~  
24 this title.

25       2. Adopt rules in order to carry out ~~the provisions of~~ this  
26 section.

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

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

30       1. Adopting rules:

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

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

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

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

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

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

46       3. Keeping an index record that is a public record open to public  
47 inspection and that contains the name and address of each licensee and the

1 name and address of any person having an interest, either legal or  
2 equitable, in each license as shown by any written document that is placed  
3 on file in the office of the board.

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

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

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

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

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

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

30 E. The director may enter into a contract or agreement with any  
31 public agency for any joint or cooperative action as provided for by title  
32 11, chapter 7, article 3.

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

44 G. The director may:

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

46 2. Require applicants, licensees, employees who serve, sell or  
47 furnish spirituous liquors to retail customers, managers and managing

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

22 3. Delegate to employees of the department authority to exercise  
23 powers of the director in order to administer the department.

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

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

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

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

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

38 9. Accept and expend private grants of monies, gifts and devises  
39 for conducting educational programs for parents and students on the  
40 repercussions of underage alcohol consumption. State general fund monies  
41 shall not be expended for the purposes of this paragraph. If the director  
42 does not receive sufficient monies from private sources to carry out the  
43 purposes of this paragraph, the director shall not provide the educational  
44 programs prescribed in this paragraph. Grant monies received pursuant to  
45 this paragraph are nonlapsing and do not revert to the state general fund  
46 at the close of the fiscal year.

1       10. Procure fingerprint scanning equipment and provide fingerprint  
2 services to license applicants and licensees. The department may charge a  
3 fee for providing these services.

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

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

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

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

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

35       2. Does not include a person whose primary responsibilities include  
36 checking the identification cards of patrons to determine compliance with  
37 age requirements.

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

40       4-114. Interest in business prohibited; forfeiture of office

41       A. Except for a member designated by the governor to be appointed  
42 from the industry, no member of the board or the director or any employee  
43 of the department shall be financially interested directly or indirectly  
44 in any business licensed to deal in spirituous liquors ~~OR ADULT HEMP~~  
45 BEVERAGES.

46       B. Violation of this section by the director or any member of the  
47 board shall be deemed a resignation by such person, and a violation by an

1 employee of the department shall result in ~~his~~ THE EMPLOYEE'S immediate  
2 dismissal.

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

5 4-201. Licensing; application procedure in city, town or  
6 county; burden of proof

7 A. A person desiring a license to manufacture, [PRODUCE,] sell or  
8 deal in spirituous liquors OR ADULT HEMP BEVERAGES shall apply to the  
9 director on a form prescribed and furnished by the director.

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

36 Notice

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

40 (Insert date, time and address)

41 The local governing body will recommend to the state liquor  
42 board whether the board should grant or deny the license. The  
43 state liquor board may hold a hearing to consider the  
44 recommendation of the local governing body. Any person  
45 residing or owning or leasing property within a one-mile  
46 radius may contact the state liquor board in writing to  
47 register as a protestor. To request information regarding

1 procedures before the board and notice of any board hearings  
2 regarding this application, contact the state liquor board at:  
3 (Insert address and telephone number).

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

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

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

26 E. On receipt of an application for a spirituous liquor license OR  
27 ADULT HEMP BEVERAGES MANUFACTURER LICENSE, the director shall set the  
28 application for a hearing by the board on a date following the expiration  
29 of the time fixed for the submitting of the certified order by the  
30 governing body of the city or town or the board of supervisors. If the  
31 city or town or the county recommends approval of the license, a hearing  
32 is not required unless the director, the board or any aggrieved party  
33 requests a hearing on the grounds that the public convenience and the best  
34 interest of the community will not be substantially served if a license is  
35 issued. Any natural person residing or owning or leasing property within  
36 a one-mile radius of the proposed location may file a written protest with  
37 the director on a form prescribed by the director not later than fifteen  
38 calendar days after action by the local governing body or sixty days after  
39 the filing of the application, whichever is sooner. The director shall  
40 allow protests to be submitted by ~~e-mail~~ EMAIL. The written argument  
41 shall contain the natural person's complete name, street address or post  
42 office box address and written or electronic signature. If the written  
43 arguments are filed by a person on behalf of a corporation or other legal  
44 entity or association, the written arguments must be accompanied by a copy  
45 of the entity's organizing document, a designation of the office or  
46 position that the person holds within the organization and a copy of the  
47 written appointment of the person to speak on behalf of the



1 organization. If the written arguments are filed by a neighborhood  
2 association, block watch or other unincorporated association, written  
3 arguments must be accompanied by a letter of authority designating that  
4 person as a spokesperson. If no hearing is requested by the director, the  
5 board or any aggrieved party, the application may be approved by the  
6 director. If the recommendation is for disapproval of an application, the  
7 board shall hold a hearing. If the city, town or county recommends  
8 approval of the license pursuant to subsection C of this section or makes  
9 no recommendation, the director may cancel the hearing and issue the  
10 license unless the board or any aggrieved party requests a hearing. If  
11 the reason for the protest is clearly removed or deemed satisfied by the  
12 director, the board shall cancel the hearing. If the board cancels the  
13 hearing, the department may administratively issue an order without the  
14 applicant licensee or other parties present. The certified order, the  
15 reasons contained in the order and the summary of the testimony and other  
16 evidence supporting the city, town or county disapproval of the  
17 recommendation shall be read into the record before the board and shall be  
18 considered as evidence by the board. The board shall consider the  
19 certified order together with other facts and a report of the director  
20 relating to the qualifications of the applicant. If the governing body of  
21 the city or town or the board of supervisors fails to return to the  
22 director, as provided in ~~subsections~~ SUBSECTION C ~~and D~~ of this section,  
23 its order of disapproval, no hearing is required. An application shall be  
24 approved or disapproved within one hundred five days after the filing of  
25 the application. If, after a hearing by the board where a license has  
26 been approved, a formal written order is not entered within thirty days  
27 after the hearing, the decision of the board is deemed entered on the  
28 thirtieth day after the hearing.

29 F. A hearing may be conducted by an administrative law judge at the  
30 request of the board to make findings and recommendations for use by the  
31 board in determining whether to grant or deny a license. The  
32 administrative law judge shall submit a report of findings to the board  
33 within twenty days after the hearing. The board may affirm, reverse,  
34 adopt, modify, supplement, amend or reject the administrative law judge's  
35 report in whole or in part.

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

43 H. In order to prevent the proliferation of spirituous liquor  
44 licenses AND ADULT HEMP BEVERAGES LICENSES, the department may deny a  
45 license to a business on the grounds that the business is inappropriate  
46 for the sale of spirituous liquor OR ADULT HEMP BEVERAGES. An  
47 inappropriate business is one that cannot clearly demonstrate that the



1 sale of spirituous liquor OR ADULT HEMP BEVERAGES is directly connected to  
2 its primary purpose and that the sale of spirituous liquor OR ADULT HEMP  
3 BEVERAGES is not merely incidental to its primary purpose.

4 I. The board shall adopt, by rule, guidelines that state criteria  
5 for use in determining whether the public convenience requires and the  
6 best interest of the community will be substantially served by the  
7 issuance or transfer of a liquor license OR ADULT HEMP BEVERAGES LICENSE  
8 at the location applied for. These guidelines shall govern the  
9 recommendations and other approvals of the department and the local  
10 governing authority.

11 J. If the governing body of a city or town recommends disapproval  
12 by a two-thirds vote of the members present and voting on an application  
13 for the issuance or transfer of a spirituous liquor license OR ADULT HEMP  
14 BEVERAGES LICENSE that, if approved, would result in a license being  
15 issued at a location either having no license or having a license of a  
16 different series, the application shall not be approved unless the board  
17 decides to approve the application by a two-thirds vote of the members  
18 present and voting.

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

21 4-202. Qualifications of licensees; application; background  
22 information; prior convictions

23 A. Every spirituous liquor licensee AND ADULT HEMP BEVERAGES  
24 LICENSEE, other than a club licensee, a corporation licensee, a limited  
25 liability company licensee or an out-of-state licensee, shall be a citizen  
26 of the United States and a bona fide resident of this state or a legal  
27 resident alien who is a bona fide resident of this state. If a  
28 partnership, each partner shall be a citizen of the United States and a  
29 bona fide resident of this state or a legal resident alien who is a bona  
30 fide resident of this state, except that for a limited partnership an  
31 individual general partner is required to meet the qualifications of an  
32 individual licensee, a corporate general partner is required to meet the  
33 qualifications of a corporate licensee and a limited partner is not  
34 required to be a citizen of the United States, a legal resident alien or a  
35 bona fide resident of this state. If a corporation or limited liability  
36 company, it shall be a domestic corporation or a foreign corporation or a  
37 limited liability company that has qualified to do business in this state.  
38 A person shall hold a club license, corporation license, limited liability  
39 company license, partnership license or out-of-state license through an  
40 agent who ~~shall be~~ IS a natural person and ~~meet~~ WHO MEETS the  
41 qualifications for licensure, except that an agent for an out-of-state  
42 license as specified in section 4-209, subsection B, paragraph 2 need not  
43 be a resident of this state. Notice of change of agent shall be filed  
44 with the director within thirty days after a change. For the purposes of  
45 this subsection, "agent" means a person who is designated by an applicant  
46 or licensee to receive communications from the department and to file

1 documents and sign documents for filing with the department on behalf of  
2 the applicant or licensee.

3 B. A person shall file an application for a spirituous liquor  
4 license ~~OR AN ADULT HEMP BEVERAGES MANUFACTURER LICENSE~~ on a form  
5 prescribed by the director. The director shall require any applicant and  
6 may require any controlling person, other than a bank or licensed lending  
7 institution, to furnish background information and to submit a full set of  
8 fingerprints to the department. The department of liquor licenses and  
9 control shall submit the fingerprints to the department of public safety  
10 for the purpose of obtaining a state and federal criminal records check  
11 pursuant to section 41-1750 and Public Law 92-544. The department of  
12 public safety may exchange this fingerprint data with the federal bureau  
13 of investigation. If a license is issued or transferred when fees are  
14 waived pursuant to section 4-209, subsection I, ~~no~~ AN additional  
15 background check is NOT required if the person has already completed a  
16 background investigation in connection with the continuing business.

17 C. Each applicant or licensee shall designate a person who ~~shall be~~  
18 IS responsible for managing the premises. The designated person may be  
19 the applicant or licensee. The manager shall be a natural person and  
20 shall meet all the requirements for licensure. The same person may be  
21 designated as the manager for more than one premises owned by the same  
22 licensee. Notice of a change in the manager shall be filed with the  
23 director within thirty days after a change.

24 D. No license shall be issued to any person who, within one year  
25 before application, has had a license revoked. The director shall not  
26 issue an interim permit or restaurant license to any person who, at the  
27 same location, has been required to surrender a restaurant license  
28 pursuant to section 4-205.02, subsection D or section 4-213 until twelve  
29 months after the date of the surrender. No license shall be issued to or  
30 renewed for any person who, within five years before application, has been  
31 convicted of a felony, or convicted of an offense in another state that  
32 would be a felony in this state. For a conviction of a corporation to be  
33 a basis for a denial under this section, the limitations that are provided  
34 in section 4-210, subsection A, paragraph 8 shall apply. No corporation  
35 shall have its annual license issued or renewed unless it has on file with  
36 the department a list of its officers and directors and any stockholders  
37 who own ten percent or more of the corporation.

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

43 F. The department shall not issue or renew a license for any person  
44 who on the request of the director fails to provide the department with  
45 complete financial disclosure statements indicating all financial holdings  
46 of the person or any other person in or relating to the license applied  
47 for, including all cosignatories on financial holdings, land, buildings,

1 leases or other forms of indebtedness that the applicant has incurred or  
2 will incur.

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

5 4-203. Licenses; issuance; transfer; reversion to state;  
6 tastings; rules; off-sale privileges; order  
7 requirements

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

28 B. The license shall be to manufacture, [PRODUCE,] sell or deal in  
29 spirituous liquors OR ADULT HEMP BEVERAGES only at the place and in the  
30 manner provided in the license. A separate license shall be issued for  
31 each specific business, and each shall specify:

32 1. The particular spirituous liquors OR ADULT HEMP BEVERAGES that  
33 the licensee is authorized to [PRODUCE,] manufacture, sell or deal in.

34 2. The place of business for which issued.

35 3. The purpose for which the liquors OR ADULT HEMP BEVERAGES may be  
36 [PRODUCED,] manufactured or sold.

37 C. A spirituous liquor license issued to a bar, a liquor store or a  
38 beer and wine bar shall be transferable as to any permitted location  
39 within the same county, if the transfer meets the requirements of an  
40 original application. A spirituous liquor license may be transferred to a  
41 person qualified to be a licensee, if the transfer is pursuant to either  
42 judicial decree, nonjudicial foreclosure of a legal or equitable lien,  
43 including security interests held by financial institutions pursuant to  
44 section 4-205.05, a sale of the license, a bona fide sale of the entire  
45 business and stock in trade, or other bona fide transactions that are  
46 provided for by rule. Any change in ownership of the business of a  
47 licensee, directly or indirectly, as defined by rule is deemed a transfer,

1 except that there is no transfer if a new artificial person is added to  
2 the ownership of a licensee's business but the controlling persons remain  
3 identical to the controlling persons that have been previously disclosed  
4 to the director as part of the licensee's existing ownership. THE NEW  
5 OWNER OF A LICENSE TRANSFERRED PURSUANT TO THIS SUBSECTION THAT INCLUDES  
6 LICENSING FOR ADULT HEMP BEVERAGES MAY ELECT TO REMOVE ADULT HEMP  
7 BEVERAGES FROM THE TRANSFERRED LICENSE BY NOTIFYING THE DEPARTMENT.

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

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

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

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

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

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

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

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

44 I. If subsection H of this section applies, the licensee's history  
45 of violations of this title is the history of the new business entity.  
46 The director may prescribe a form and shall require the applicant to

1 provide the necessary information to ensure compliance with this  
2 subsection and subsections F and G of this section.

3 J. Notwithstanding subsection B of this section, the holder of a  
4 retail license in this state having off-sale privileges, except a bar,  
5 beer and wine bar or restaurant licensee, may take orders by telephone,  
6 mail, fax or catalog, through the internet or by other means for the sale  
7 and delivery of spirituous liquor OR ADULT HEMP BEVERAGES off of the  
8 licensed premises to a person in this state in connection with the sale of  
9 spirituous liquor OR ADULT HEMP BEVERAGES. Notwithstanding the definition  
10 of "sell" prescribed in section 4-101, the placement of an order and  
11 payment pursuant to this section is not a sale until delivery has been  
12 made. At the time that the order is placed, the licensee shall inform the  
13 purchaser that state law requires a purchaser of spirituous liquor OR  
14 ADULT HEMP BEVERAGES to be at least twenty-one years of age and that the  
15 person accepting delivery of the spirituous liquor OR THE ADULT HEMP  
16 BEVERAGES is required to comply with this state's age identification  
17 requirements as prescribed in section 4-241, subsections A and K. The  
18 licensee may maintain a delivery service and may contract with one or more  
19 independent contractors, that may also contract with one or more  
20 independent contractors, or may contract with a common carrier for  
21 delivery of spirituous liquor OR ADULT HEMP BEVERAGES if the spirituous  
22 liquor ~~is~~ OR ADULT HEMP BEVERAGES ARE loaded for delivery at the premises  
23 of the retail licensee in this state and delivered in this state. Except  
24 if the person delivering the order has personally retrieved and bagged or  
25 otherwise packaged the container of spirituous liquor for delivery and the  
26 licensee records, or requires to be recorded electronically, the  
27 identification information for each delivery, all containers of spirituous  
28 liquor OR ADULT HEMP BEVERAGES delivered pursuant to this subsection shall  
29 be conspicuously labeled with the words "contains alcohol OR ADULT HEMP  
30 BEVERAGES, signature of person who is twenty-one years of age or older is  
31 required for delivery". The licensee is responsible for any violation of  
32 this title or any rule adopted pursuant to this title that is committed in  
33 connection with any sale or delivery of spirituous liquor OR ADULT HEMP  
34 BEVERAGES. Delivery must be made by an employee of the licensee or other  
35 authorized person as provided by this section who is at least twenty-one  
36 years of age to a customer who is at least twenty-one years of age and who  
37 displays an identification at the time of delivery that complies with  
38 section 4-241, subsection K. The retail licensee shall collect payment  
39 for the full price of the spirituous liquor OR THE ADULT HEMP BEVERAGES  
40 from the purchaser before the product leaves the licensed premises. The  
41 director shall adopt rules that set operational limits for the delivery of  
42 spirituous liquors OR ADULT HEMP BEVERAGES by the holder of a retail  
43 license having off-sale privileges. With respect to the delivery of  
44 spirituous liquor OR ADULT HEMP BEVERAGES, for any violation of this title  
45 or any rule adopted pursuant to this title that is based on the act or  
46 omission of a licensee's employee or other authorized person, the  
47 mitigation provision of section 4-210, subsection G applies, with the



1 exception of the training requirement. For the purposes of this  
2 subsection and notwithstanding the definition of "sell" prescribed in  
3 section 4-101, section 4-241, subsections A and K apply only at the time  
4 of delivery. For the purposes of compliance with this subsection, an  
5 independent contractor, a subcontractor of an independent contractor, the  
6 employee of an independent contractor or the employee of a subcontractor  
7 is deemed to be acting on behalf of the licensee when making a delivery of  
8 spirituous liquor OR ADULT HEMP BEVERAGES for the licensee.

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

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

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

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

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

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

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

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

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

1           1. Bar licensees for beer, wine, distilled spirits, ~~and~~ mixed  
2 cocktails ~~AND ADULT HEMP BEVERAGES~~.  
3           2. Beer and wine bar licensees for beer, ~~and~~ wine ~~AND ADULT HEMP~~  
4 ~~BEVERAGES~~.  
5           3. Liquor store licensees for beer, wine, distilled spirits, ~~and~~  
6 mixed cocktails ~~AND ADULT HEMP BEVERAGES~~.  
7           4. Beer and wine store licensees for beer, ~~and~~ wine ~~AND ADULT HEMP~~  
8 ~~BEVERAGES~~.  
9           5. Restaurant licensees for any of the following:  
10           (a) Mixed cocktails, with the sale of menu food items for  
11 consumption on or off the licensed premises, if the restaurant holds a  
12 permit issued pursuant to section 4-203.07 and section 4-205.02,  
13 subsection K or a lease pursuant to section 4-203.06.  
14           (b) Beer if the restaurant holds a permit issued pursuant to  
15 section 4-205.02, subsection H.  
16           (c) Beer, wine, ~~and~~ distilled spirits ~~AND ADULT HEMP BEVERAGES~~ if  
17 the restaurant holds an off-sale privileges lease with a bar or liquor  
18 store pursuant to section 4-203.07.  
19           (d) Beer, ~~and~~ wine ~~AND ADULT HEMP BEVERAGES~~ if the restaurant holds  
20 an off-sale privileges lease with a beer and wine bar pursuant to section  
21 4-203.07.  
22           T. Notwithstanding the definition of "sell" prescribed in section  
23 4-101, placing an order and paying for that order pursuant to subsection S  
24 of this section is not a sale until delivery has been made. At the time  
25 that the order is placed, the licensee shall inform the purchaser that  
26 state law requires a purchaser of spirituous liquor ~~OR ADULT HEMP~~  
27 ~~BEVERAGES~~ to be at least twenty-one years of age and that the person  
28 accepting delivery of the spirituous liquor ~~OR ADULT HEMP BEVERAGE~~ is  
29 required to comply with this state's age identification requirements as  
30 prescribed in section 4-241, subsections A and K. The licensee may  
31 maintain a delivery service and may contract with one or more alcohol ~~AND~~  
32 ~~ADULT HEMP BEVERAGE~~ delivery contractors registered pursuant to section  
33 4-205.13 for delivery of spirituous liquor ~~OR ADULT HEMP BEVERAGES~~ if the  
34 spirituous liquor ~~is~~ ~~OR THE ADULT HEMP BEVERAGES ARE~~ packaged and  
35 tamperproof sealed by the bar, beer and wine bar, liquor store, beer and  
36 wine store or restaurant licensee or the licensee's employee and is loaded  
37 for delivery at the premises of the restaurant, beer and wine bar, liquor  
38 store, beer and wine store or bar licensee in this state and delivered in  
39 this state on the same business day. A liquor store or beer and wine  
40 store licensee may contract with one or more independent contractors as  
41 provided in subsection J of this section for delivery of spirituous liquor  
42 ~~OR ADULT HEMP BEVERAGES~~ if the spirituous liquor ~~is~~ ~~OR ADULT HEMP~~  
43 ~~BEVERAGES ARE~~ loaded for delivery at the premises of the liquor store or  
44 beer and wine store licensee in this state and delivered in this state on  
45 the same business day. All containers of spirituous liquor ~~OR ADULT HEMP~~  
46 ~~BEVERAGES~~ delivered pursuant to subsection S of this section shall be  
47 tamperproof sealed and conspicuously labeled with the words "contains



1 alcohol OR ADULT HEMP BEVERAGES, signature of person who is twenty-one  
2 years of age or older is required for delivery". The licensee is  
3 responsible for any violation of this title or any rule adopted pursuant  
4 to this title that is committed in connection with any sale or delivery of  
5 spirituous liquor OR ADULT HEMP BEVERAGES. Delivery must be made by an  
6 employee of the licensee or an employee or authorized independent  
7 contractor of a registered alcohol delivery contractor as provided by this  
8 section who is at least twenty-one years of age and delivery must be made  
9 to a customer who is at least twenty-one years of age and who displays an  
10 identification at the time of delivery that complies with section 4-241,  
11 subsection K. The restaurant, beer and wine bar, liquor store, beer and  
12 wine store or bar licensee shall collect payment for the full price of the  
13 spirituous liquor OR ADULT HEMP BEVERAGE from the purchaser before the  
14 product leaves the licensed premises. The director shall adopt rules that  
15 set operational limits for the delivery of spirituous liquor OR ADULT HEMP  
16 BEVERAGE pursuant to this subsection and subsection S of this section with  
17 respect to the delivery of spirituous liquor. For any violation of this  
18 title or any rule adopted pursuant to this title that is based on the act  
19 or omission of a licensee's employee or a registered alcohol delivery  
20 contractor, the mitigation provision of section 4-210, subsection G  
21 applies, with the exception of the training requirement. For the purposes  
22 of this subsection and notwithstanding the definition of "sell" prescribed  
23 in section 4-101, section 4-241, subsections A and K apply only at the  
24 time of delivery. An alcohol AND ADULT HEMP BEVERAGE delivery contractor,  
25 a subcontractor of an alcohol AND ADULT HEMP BEVERAGE delivery contractor,  
26 an employee of an alcohol AND ADULT HEMP BEVERAGE delivery contractor or  
27 an employee of a subcontractor is deemed to be acting on behalf of the  
28 licensee when making a delivery of spirituous liquor OR ADULT HEMP  
29 BEVERAGES for the licensee. For the purposes of this subsection,  
30 "business day" means between the hours of 6:00 a.m. of one day and  
31 2:00 a.m. of the next day.

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

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

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

- 47 1. The individual's name.

1           2. The individual's date of birth.

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

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

7           4-204. Personal representative or fiduciary acting for  
8                       licensee

9           A. A person acting as administrator, executor or guardian of the  
10 estate of any licensee or a person acting as receiver for any licensee,  
11 trustee of the bankrupt estate of any licensee or assignee for the benefit  
12 of creditors of a licensee is authorized, ~~upon~~ ON receiving permission  
13 from the director, to sell and deal in spirituous liquors OR ADULT HEMP  
14 BEVERAGES under authority of the license issued to the licensee for whom  
15 the person is acting for a period not exceeding twenty-four months ~~from~~  
16 AFTER the date of the appointment of such person as administrator,  
17 executor, guardian, receiver, trustee or assignee for the benefit of  
18 creditors.

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

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

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

37           4-205. Issuance of club license; regulatory provisions;  
38                       revocation

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

41           B. The holder of a club license is authorized to sell and serve  
42 alcoholic beverages OR ADULT HEMP BEVERAGES for consumption only within  
43 the licensed establishment owned, leased or occupied by the club, and only  
44 to bona fide members of the club, and to serve and sell to members' bona  
45 fide guests. Attendance at private clubs is limited to enrolled members  
46 of the club and their spouses, families and bona fide guests. Admitted  
47 nonmember guests shall not exceed more than fifty percent of attendance

1 during any month. This provision shall not limit the ability of a member  
2 or the club to host wedding receptions, group meetings, civic association  
3 meetings, scheduled social functions, including bingo games, and other  
4 member or club hosted functions where individuals are not admitted on the  
5 basis of being a guest of a member of the club and attendance at the event  
6 shall not be considered in computing the fifty percent requirement.  
7 Member recruitment events that are hosted by the club or other members  
8 where individuals are not admitted on the basis of being a guest of a  
9 member of the club or not in attendance at other specified events  
10 authorized in this section shall be limited to not more than twelve events  
11 in a calendar year for each club.

12 C. No member and no officer, agent or employee of a club licensee  
13 shall be paid or shall directly or indirectly receive, in the form of  
14 salary or other compensation, any of the profits from the revenue  
15 producing activities of the club or from the distribution or sale of  
16 alcoholic beverages OR ADULT HEMP BEVERAGES to the members of the club or  
17 to its guests, beyond the amount of the salary as fixed and voted on at a  
18 regular meeting by the members of the club licensee or by its governing  
19 body out of the general revenue of the licensee, nor shall such salaries  
20 or compensation be in excess of reasonable compensation for the services  
21 actually performed.

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

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

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

32 4-205.01. Hotel-motel license; issuance; revocation

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

36 B. The director shall issue the license in the name of the hotel or  
37 motel upon application for the license by the owner or lessee of the motel  
38 or hotel, provided the applicant is otherwise qualified to hold a  
39 spirituous liquor license. The holder of such license is subject to the  
40 penalties prescribed for any violation of the law relating to alcoholic  
41 beverages OR ADULT HEMP BEVERAGES.

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

1 D. In addition to other grounds prescribed in this title upon which  
2 a license may be revoked, the director may revoke a hotel-motel license  
3 issued pursuant to this section in any case in which the licensee ceases  
4 to operate as a hotel or motel, as prescribed in subsection A of this  
5 section.

6 E. For the purposes of this section, the licensee shall be subject  
7 to the standards and qualifications of a restaurant licensee as provided  
8 in section 4-205.02. If an independent person or entity manages and  
9 supervises the sale and service of spirituous liquor OR ADULT HEMP  
10 BEVERAGES at the premises pursuant to section 4-243.04, subsection A,  
11 paragraph 3, the person or entity may contract with the owner of the  
12 premises to sell and serve food on the premises. For the purpose of  
13 determining whether forty ~~per cent~~ PERCENT of the licensee's gross  
14 revenues are derived from the sale of food, sales of food made by the  
15 owner of the premises are deemed sales of food made by the licensee.

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

18 4-205.02. Restaurant license; issuance; regulatory  
19 provisions; expiration; off-sale leases and  
20 permits; fee; definitions

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

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

32 C. The holder of a restaurant license may sell and serve spirituous  
33 liquors OR ADULT HEMP BEVERAGES solely for consumption on the licensed  
34 premises. For the purpose of this subsection, "licensed premises" may  
35 include rooms, areas or locations in which the restaurant normally sells  
36 or serves spirituous liquors OR ADULT HEMP BEVERAGES pursuant to regular  
37 operating procedures and practices and that are contiguous to the  
38 restaurant or a noncontiguous patio pursuant to section 4-101, paragraph  
39 ~~32~~ 40. For the purposes of this subsection, a restaurant licensee must  
40 submit proof of tenancy or permission from the landowner or lessor for all  
41 property to be included in the licensed premises.

42 D. In addition to other grounds prescribed in this title on which a  
43 license may be revoked, the director may require the holder of a  
44 restaurant license issued pursuant to this section to surrender the  
45 license in any case in which the licensee ceases to operate as a  
46 restaurant, as prescribed in subsection A of this section. The surrender  
47 of a license pursuant to this subsection does not prevent the director

1 from revoking the license for other grounds prescribed in this title or  
2 for making deliberate material misrepresentations to the department  
3 regarding the licensee's equipment, service or entertainment items or  
4 seating capacity in applying for the restaurant license.

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

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

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

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

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

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

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

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

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

23 M. For the purposes of this section:

24 1. "Gross revenue":

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

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

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

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

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

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

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

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

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

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

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

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

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



1 winery may not exceed twenty percent of the farm winery's sales by  
2 volume. The percentage limitation shall not apply to wine produced  
3 pursuant to subsection D of this section and section 4-243.03.

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

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

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

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

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

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

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

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

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

44         (d) The wine ~~is~~ **OR ADULT HEMP BEVERAGES ARE** delivered by the  
45 licensed farm winery or shipped by the licensed farm winery by a common  
46 carrier to a residential or business address other than a premises  
47 licensed pursuant to this title.



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

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

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

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

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

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

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

40 2. The farm winery licensee:

41 (a) Remains responsible for the premises.

42 (b) Obtains approval for the premises from the local governing body  
43 before submitting an application to the department. A copy of an order  
44 from the local governing body recommending approval of the premises must  
45 be filed with the department as part of the application.

46 (c) Does not sublease the premises.

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

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

5 F. A farm winery licensee may hold a craft distiller license issued  
6 pursuant to section 4-205.10. The farm winery and craft distiller  
7 licensee is subject to all other requirements of this section and section  
8 4-205.10. The farm winery may provide sampling and sales of the distilled  
9 spirits AND ADULT HEMP BEVERAGES pursuant to section 4-205.10, subsection  
10 C, paragraphs 2 and 3 on the same premises as the wine sampling and retail  
11 sales.

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

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

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

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

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

30 J. The director shall adopt rules in order to administer this  
31 section.

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

35 ~~L. The farm winery licensee that operates primarily as a remote~~  
36 ~~tasting room premises may exchange the farm winery license for a remote~~  
37 ~~tasting room license without an additional fee, not later than~~  
38 ~~December 31, 2018. The new remote tasting room license must be connected~~  
39 ~~to a farm winery license, with common ownership, that complies with all~~  
40 ~~requirements for a farm winery license pursuant to subsections C and E of~~  
41 ~~this section.~~

42 M. L. Production and storage space of the farm winery is excluded  
43 from the licensed farm winery premises and is not the public area unless  
44 that space is also used for the sale of wine OR ADULT HEMP BEVERAGES to  
45 the public or consumption of or sampling of wine OR ADULT HEMP BEVERAGES  
46 by the public or to provide other services to the public. Pursuant to  
47 section 4-118, the director, the director's agents or any peace officer

1 may inspect spaces excluded by this subsection. For the purposes of this  
2 subsection, "public area" means a place within a farm winery that is  
3 accessible to the public and in which the farm winery authorizes the  
4 presence of members of the public.

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

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

10 4-205.05. Disposal of seized or recovered liquor and adult  
11 hemp beverages

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

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

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

39 4-205.06. Hotel or motel minibars; rules; definitions

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

45 1. Before providing a key, magnetic card or other similar device  
46 required to attain access to the minibar in a particular guest room to the  
47 registered guest, or before otherwise providing access to the minibar to

1 the registered guest, the licensee verifies that each registered guest to  
2 whom a key, magnetic card or similar device is provided or to whom access  
3 is otherwise provided is not a person under the legal drinking age.

4 2. All employees handling the spirituous liquors OR ADULT HEMP  
5 BEVERAGES to be placed in the minibar in any guest room, including an  
6 employee who inventories or restocks and replenishes the spirituous  
7 liquors OR ADULT HEMP BEVERAGES in the minibar, are at least eighteen  
8 years of age.

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

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

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

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

22 C. The director may prescribe rules to regulate the use of a  
23 minibar, including rules on the size of containers of spirituous liquors  
24 OR ADULT HEMP BEVERAGES and may by rule reduce from thirty the number of  
25 containers of spirituous liquor OR ADULT HEMP BEVERAGES placed in the  
26 minibar.

27 D. For the purposes of this section:

28 1. "Hotel" or "motel" means an establishment that is licensed to  
29 sell spirituous liquors OR ADULT HEMP BEVERAGES and that contains guest  
30 room accommodations with respect to which the predominant relationship  
31 existing between the occupants of the rooms and the owner or operator of  
32 the establishment is that of innkeeper and guest. For the purposes of  
33 this paragraph, the existence of other legal relationships as between some  
34 occupants and the owner or operator is immaterial.

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

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

41 4-205.08. Microbrewery license; issuance; regulatory  
42 provisions; retail site; definition

43 A. The director may issue a microbrewery license to any  
44 microbrewery. Each location that engages in producing, manufacturing and  
45 bottling these products must obtain a separate microbrewery license. The  
46 licensee may not transfer the microbrewery license from person to person  
47 or from location to location.

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

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

17       1. Sell beer produced or ADULT HEMP BEVERAGES manufactured on the  
18 premises for consumption on or off the premises.

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

24       3. Make sales and deliveries of beer that the microbrewery produces  
25 or ADULT HEMP BEVERAGES THAT THE MICROBREWERY manufactures to persons  
26 licensed to sell beer OR ADULT HEMP BEVERAGES in another state if lawful  
27 under the laws of that state.

28       4. Serve beer produced ~~or manufactured~~ on the premises OR ADULT  
29 HEMP BEVERAGES MANUFACTURED ON THE PREMISES for the purpose of sampling  
30 the beer OR ADULT HEMP BEVERAGES.

31       5. Sell beer produced or ~~manufactured~~ ADULT HEMP BEVERAGES  
32 MANUFACTURED by other microbreweries for consumption only on the premises  
33 of the licensee, except that the sales percentage of beer OR ADULT HEMP  
34 BEVERAGES from other microbreweries may not exceed twenty percent of the  
35 licensee's annual sales of beer OR ADULT HEMP BEVERAGES by volume at the  
36 premises. If the other microbrewery has established a distribution  
37 relationship with one or more wholesalers who are licensed under this  
38 title, the beer OR ADULT HEMP BEVERAGES shall be purchased through those  
39 wholesalers.

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

46       D. A licensed microbrewery is subject to all of the following  
47 requirements:

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

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

10          3. If retail operations are conducted in conjunction with the  
11 microbrewery, the microbrewery may sell other spirituous liquor products  
12 OR ADULT HEMP BEVERAGE PRODUCTS if the microbrewery holds an on-sale  
13 retail license for a bar, beer and wine bar or restaurant. The  
14 microbrewery may be issued up to a combined total of seven retail licenses  
15 in this state, whether the premises are located on or adjacent to a  
16 microbrewery or remotely from a microbrewery. The limit on the number of  
17 retail licenses applies on an aggregated basis to all microbreweries OR  
18 OTHER PRODUCER OR MANUFACTURER LICENSES that are under common control of  
19 any person with control of the microbrewery.

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

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

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

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

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

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

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

44          G. A microbrewery that is otherwise engaged as a distiller,  
45 vintner, brewer, rectifier, blender or other producer of spirituous liquor  
46 OR MANUFACTURER OF ADULT HEMP BEVERAGES in any jurisdiction is prohibited  
47 from holding any retail license that is located remotely from a

1 microbrewery. This subsection does not prohibit a person with control of  
2 more than one microbrewery from conducting retail operations remotely from  
3 a microbrewery pursuant to subsection D, paragraph 3 of this section.

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

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

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

10 I. A delivery of beer OR ADULT HEMP BEVERAGES by a microbrewery to  
11 a purchaser in this state is a transaction deemed to have occurred in this  
12 state.

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

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

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

19 4-205.10. Craft distiller license; issuance; regulatory  
20 provisions; fee; definition

21 A. The director may issue a craft distiller license to any person  
22 that meets the requirements of subsection C of this section. Each  
23 location that engages in producing and bottling these products must obtain  
24 a separate craft distiller license. The licensee may not transfer the  
25 craft distiller license from person to person or from location to location  
26 and may not also hold a producer's license. The licensee and all commonly  
27 controlled craft distiller licensees may not manufacture or produce more  
28 than twenty thousand gallons of distilled spirits in a calendar year. For  
29 the purposes of this section, annual gallonage shall be the total proof  
30 gallons of finished distilled product available for wholesale or retail  
31 sale as defined by 26 United States Code section 5002 and rules adopted  
32 pursuant to this section or its successor.

33 B. Persons holding a craft distiller license shall report annually  
34 at the end of each calendar year, at the time and in the manner as the  
35 director prescribes, the amount of distilled spirits that is produced or  
36 ~~manufactured~~ ADULT HEMP BEVERAGES MANUFACTURED by that licensee during the  
37 calendar year. In addition to any other provision of this title, if the  
38 total amount of distilled spirits OR ADULT HEMP BEVERAGES that ~~is~~ ARE  
39 produced or manufactured during the year ~~exceeds~~ EXCEED the amount that is  
40 permitted annually by the license, the licensee shall apply for and, on  
41 qualification, receive a producer's license only on the surrender of the  
42 craft distiller license and shall have no continuing rights as a craft  
43 distiller licensee under this section.

44 C. A person may be licensed as a craft distiller to sell distilled  
45 spirits that are produced ~~or manufactured~~ by the person OR ADULT HEMP  
46 BEVERAGES MANUFACTURED if in a calendar year the person produces ~~or~~  
47 ~~manufactures~~ not more than twenty thousand gallons of distilled spirits



1 AND MANUFACTURERS NOT MORE THAN TWENTY THOUSAND GALLONS OF ADULT HEMP  
2 BEVERAGES and may make sales and deliveries of distilled spirits OR ADULT  
3 HEMP BEVERAGES only as specified in this section and subject to the  
4 following criteria:

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

8 2. A licensed craft distiller may serve distilled spirits that are  
9 produced or ~~manufactured~~ ADULT HEMP BEVERAGES MANUFACTURED on the premises  
10 for the purpose of consumption on the premises and may charge for samples  
11 on the premises of the craft distiller.

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

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

22 (a) Purchase distilled spirits OR ADULT HEMP BEVERAGES from other  
23 craft distillers that are licensed in this state. Sales of craft  
24 distillery products not produced or manufactured by the craft distiller  
25 shall be limited to ~~no~~ NOT more than twenty percent of the total sales by  
26 volume.

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

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

36 6. Notwithstanding section 4-244, paragraphs 3 and 7, an on-sale or  
37 off-sale retailer may purchase and accept delivery of distilled spirits OR  
38 ADULT HEMP BEVERAGES from a licensed craft distiller pursuant to paragraph  
39 5 of this subsection.

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

46 (a) The purchaser of the distilled spirits OR ADULT HEMP BEVERAGES  
47 provided the licensed craft distiller with verification of the purchaser's



1 legal age to purchase alcohol and a copy of same is maintained in the  
2 records of the craft distiller.

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

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

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

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

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

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

19 8. THE TOTAL QUANTITY OF ADULT HEMP BEVERAGES MANUFACTURED SHALL  
20 NOT EXCEED TWENTY THOUSAND GALLONS IN A CALENDAR YEAR AND THE TOTAL  
21 QUANTITY OF ADULT HEMP BEVERAGES MANUFACTURED SHALL NOT BE AGGREGATED WITH  
22 THE TOTAL QUANTITY OF DISTILLED SPIRITS PRODUCED.

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

26 1. The distilled spirits OR ADULT HEMP BEVERAGES sold at the  
27 premises are limited to distilled spirits produced or ~~manufactured~~ ADULT  
28 HEMP BEVERAGES MANUFACTURED by the licensed craft distillery and distilled  
29 spirits produced or ~~manufactured~~ ADULT HEMP BEVERAGES MANUFACTURED by  
30 another licensed craft distillery. The craft distillery may sell to a  
31 consumer physically present on the premises distilled spirits produced OR  
32 ADULT HEMP BEVERAGES MANUFACTURED by the craft distillery or by other  
33 licensed craft distilleries in the original container for consumption on  
34 or off the premises. The sales of the distilled spirits produced or  
35 manufactured OR ADULT HEMP BEVERAGES MANUFACTURED by other craft  
36 distilleries shall not exceed twenty percent of the craft distillery's  
37 total sales by volume.

38 2. The craft distiller licensee:

39 (a) Remains responsible for the premises.

40 (b) Obtains approval for the premises from the local governing body  
41 before submitting an application to the department. A copy of an order  
42 from the local governing body recommending approval of the premises must  
43 be filed with the department as part of the application.

44 (c) Does not sublease the premises.

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

1 (e) Meets the qualifications for a license pursuant to section  
2 4-203, subsection A.

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

5 E. A craft distiller licensee may hold a farm winery license issued  
6 pursuant to section 4-205.04. The craft distiller licensee and farm  
7 winery licensee are subject to all other requirements of this section and  
8 section 4-205.04. The craft distiller may provide sampling and retail  
9 sales of distilled spirits OR ADULT HEMP BEVERAGES pursuant to subsection  
10 C, paragraphs 2 and 3 of this section on the same premises as the wine  
11 sampling and retail sales.

12 F. The craft distiller is liable for any violation that is  
13 committed in connection with any sale or delivery of the distilled spirits  
14 OR ADULT HEMP BEVERAGES. The rules adopted by the director pursuant to  
15 section 4-203, subsection J apply to the delivery of distilled spirits AND  
16 ADULT HEMP BEVERAGES under subsection C of this section. An act or  
17 omission of any person who makes a sale or delivery of distilled spirits  
18 for a licensee under subsection C of this section is deemed to be an act  
19 or omission of the licensee for the purposes of section 4-210, subsection  
20 A, paragraph 9.

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

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

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

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

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

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

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

41 J. The director may adopt rules in order to administer this  
42 section.

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

45 L. The director may issue a craft distiller license to be located  
46 on the same parcel of land as a farm winery licensed pursuant to section  
47 4-205.04.

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

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

6 4-205.13. Registered alcohol and adult hemp beverages  
7 delivery contractor; issuance; fees; regulatory  
8 provisions

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

14 B. A person shall apply to be a registered alcohol AND ADULT HEMP  
15 BEVERAGES delivery contractor on a form prescribed by the director. The  
16 director shall require an applicant to provide the controlling person's  
17 identification and any background information deemed necessary to identify  
18 the person and to demonstrate proof of the person's authority to conduct  
19 business in this state, including copies of any required state or local  
20 business licenses or permits. The director may establish and charge a  
21 registration fee and a renewal fee to be used for administrative and  
22 enforcement costs associated with alcohol AND ADULT HEMP BEVERAGES  
23 delivery contractors.

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

27 D. The department may require new registered alcohol AND ADULT HEMP  
28 BEVERAGES delivery contractors to complete an approved training course in  
29 accordance with section 4-112, subsection G, paragraph 2. A registered  
30 alcohol AND ADULT HEMP BEVERAGES delivery contractor is subject to  
31 examinations conducted pursuant to section 4-112, subsection G,  
32 paragraph 1.

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

38 F. A registered alcohol AND ADULT HEMP BEVERAGES delivery  
39 contractor may deliver spirituous liquor AND ADULT HEMP BEVERAGES to a  
40 consumer in this state on behalf of a bar, beer and wine bar, liquor  
41 store, beer and wine store or restaurant in this state pursuant to section  
42 4-203, subsections S and T, if the registered alcohol delivery contractor  
43 complies with this title. A registered alcohol AND ADULT HEMP BEVERAGES  
44 delivery contractor may contract with one or more independent  
45 subcontractors for the delivery of spirituous liquor AND ADULT HEMP  
46 BEVERAGES to a consumer in this state on behalf of a bar, beer and wine  
47 bar, liquor store, beer and wine store or restaurant in this state

1 pursuant to section 4-203, subsections S and T. An alcohol AND ADULT HEMP  
2 BEVERAGES delivery contractor, a subcontractor of an alcohol AND ADULT  
3 HEMP BEVERAGES delivery contractor, an employee of an alcohol AND ADULT  
4 HEMP BEVERAGES delivery contractor or an employee of a subcontractor is  
5 deemed to be acting on behalf of the licensee when making a delivery of  
6 spirituous liquor AND ADULT HEMP BEVERAGES for the licensee.

7 G. In addition to all other action that may be taken by the  
8 director for a violation of this title or the rules adopted pursuant to  
9 this title by a registered alcohol AND ADULT HEMP BEVERAGES delivery  
10 contractor and its employees or subcontractors and employees of  
11 subcontractors, the department may limit the right of the registered  
12 alcohol AND ADULT HEMP BEVERAGES delivery contractor to deliver spirituous  
13 liquor AND ADULT HEMP BEVERAGES on behalf of a licensee for a period of up  
14 to one year, after which the alcohol AND ADULT HEMP BEVERAGES delivery  
15 contractor shall register with the department to resume delivery of  
16 spirituous liquor AND ADULT HEMP BEVERAGES. Any penalty issued pursuant  
17 to this subsection may be appealed to the board pursuant to section  
18 4-210.02.

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

21 4-206.01. Bar, beer and wine bar, liquor store and adult hemp  
22 beverages licenses; number permitted; fee;  
23 sampling privileges; off-sale permit

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

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

41 C. ~~In each county, the director, each year, shall issue additional~~  
42 ~~beer and wine bar licenses at the rate of one for each additional five~~  
43 ~~thousand person increase over the population in that county as of July 1,~~  
44 ~~2010. Beginning January 1, 2022,~~ In each county, the director, each year,  
45 shall issue additional beer and wine bar licenses at the rate of one for  
46 each additional ten thousand person increase over the population in that  
47 county as of July 1, 2010. For every license that has been surrendered,

1 revoked or reverted in any county, the director may issue a new license of  
2 the same series in the same county, except that if there are more than  
3 five licenses of a particular class, the director may issue five new  
4 licenses plus an additional number of new licenses equivalent to twenty  
5 percent of the difference between the number of surrendered, revoked or  
6 reverted licenses per year and five. The director may waive the issuance  
7 of licenses in a county for one year if there has been no request made to  
8 the department for the issuance of a new license of that series. For the  
9 purposes of this subsection, the population of a county is deemed to be  
10 the population estimated as of July 1 of each year by the office of  
11 economic opportunity.

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

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

35 F. If more than one person applies for an available license, a  
36 priority of applicants shall be determined by a random selection method  
37 prescribed by the director, except that the number of times that a person  
38 may enter the random selection process shall not exceed the number of  
39 licenses of that series that are available for issuance. For the purposes  
40 of this subsection, a partnership, limited liability company, association,  
41 company or corporation is considered the same person if it is owned,  
42 managed, operated or controlled by the same controlling person.

43 G. Bar licenses and beer and wine bar licenses shall be issued and  
44 used only if the clear primary purpose and actual primary use is for  
45 on-sale retailer privileges. The off-sale privileges associated with a  
46 bar license and a beer and wine bar license shall be limited to use, which  
47 is clearly auxiliary to the active primary on-sale privilege. A bar

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

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

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

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

40 K. An applicant for a liquor store license or a beer and wine store  
41 license and the licensee of a liquor store license or a beer and wine  
42 store license may apply for sampling privileges associated with the  
43 license. Beer and wine store premises containing less than five thousand  
44 square feet must dedicate at least seventy-five percent of retail shelf  
45 space to the sale of spirituous liquor **OR ADULT HEMP BEVERAGES** in order to  
46 be eligible for sampling privileges. A person desiring a sampling  
47 privilege associated with a liquor store license shall apply to the

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

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

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

23       3. The licensed retailer shall make sales of sampled products from  
24 the licensed retail premises.

25       4. The licensee shall not charge any customer for the sampling of  
26 any products, except that the licensee may charge a fee for bona fide  
27 educational classes conducted in a classroom by an instructor on the  
28 licensed premises where the sampling of any spirituous liquor product ~~is~~  
29 OR ADULT HEMP BEVERAGES PRODUCT ARE incidental to the course taught and to  
30 the course materials presented.

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

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

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

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

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



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

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

14 **4-207.01. Submission of floor plan required; alteration of**  
15 **licensed premises; ingress and egress to off-sale**  
16 **package sales in on-sale licensed premises**

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

37 B. No licensee shall alter or change the physical arrangement of  
38 ~~his~~ **THE LICENSEE'S** licensed premises so as to encompass greater space or  
39 the use of different or additional entrances, openings or accommodations  
40 than the space, entrance or entrances, openings or accommodations offered  
41 to the public at the time of issuance of the licensee's license or a prior  
42 written approval of the licensed premises, without first having filed with  
43 the director floor plans and diagrams completely disclosing and  
44 designating the proposed physical alterations of the licensed premises,  
45 including the addition of a drive-through or other physical feature to the  
46 licensed premises that allows a customer to purchase spirituous liquor **OR**  
47 **ADULT HEMP BEVERAGES** without leaving the customer's vehicle, and shall

1 have secured the written approval by the director. This subsection ~~shall~~  
2 ~~apply~~ APPLIES to any ~~person to person~~ PERSON-TO-PERSON transfer of the  
3 licensed premises. The director may charge a fee for review of floor  
4 plans and diagrams submitted by a licensee pursuant to this section.

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

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

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

17 4-207.02. Multiple licensees with joint premises

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

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

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

1 BEVERAGES ARE served and consumed. The barriers or other security  
2 measures shall be placed to achieve the following purposes:  
3 (a) To control spirituous liquor OR ADULT HEMP BEVERAGES service.  
4 (b) To delineate the licensed premises.  
5 (c) To control the ingress to and egress from the licensed  
6 premises.  
7 (d) To provide for the safety of patrons.  
8 (e) To prevent underage possession and consumption of spirituous  
9 liquor OR ADULT HEMP BEVERAGES.  
10 (f) To prevent the removal of spirituous liquor OR ADULT HEMP  
11 BEVERAGES from the premises.  
12 (g) To prevent the unauthorized carrying of spirituous liquor OR  
13 ADULT HEMP BEVERAGES onto the premises.  
14 (h) To prevent the unauthorized consumption of spirituous liquor OR  
15 ADULT HEMP BEVERAGES in a public area or thoroughfare.  
16 3. The director may require that, during the time the premises are  
17 being used as joint premises under a permit, the participating licensees  
18 identify the spirituous liquor beverages OR ADULT HEMP BEVERAGES sold by  
19 each licensee by using distinguishable containers.  
20 B. The licensees shall file with the director and may modify from  
21 time to time a schedule showing the days and time periods when the joint  
22 premises will be in use.  
23 C. Each licensee that is approved for the joint premises shall  
24 comply fully with all applicable requirements of this title and any rules  
25 adopted pursuant to this title.  
26 D. Each joint licensee that shares the joint premises as provided  
27 in this section may be held liable for any violation of this title. One  
28 or more licensees may be cited for a violation of this title that occurs  
29 on the premises, if the circumstances warrant the citation.  
30 E. A licensee with joint premises privileges may not allow a person  
31 under the legal drinking age who is not accompanied by a spouse, parent,  
32 grandparent or legal guardian of legal drinking age to remain in an area  
33 on the joint premises during hours in which the primary use is the sale,  
34 dispensing or consumption of spirituous liquor OR ADULT HEMP BEVERAGES  
35 after the licensee, or the licensee's employees, know or should have known  
36 that the person is under the legal drinking age.  
37 F. The department may consolidate complaints, proceedings and  
38 hearings with respect to complaints or matters against one or more  
39 licensees with joint premises permits.  
40 G. The right of a licensee to use the joint premises may be limited  
41 or revoked by the director for a violation of this title or any rule  
42 adopted pursuant to this title.  
43 H. The department may charge a fee in an amount prescribed by the  
44 director for the review and processing of an application submitted  
45 pursuant to this section.

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

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

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

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

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

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

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

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

45 1. Provide for the safety of patrons.

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

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

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

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

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

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

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

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

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

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

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

43          K. This section does not apply to a permanent change in the  
44 premises and does not prevent the department, together with a city, town  
45 or county, from waiving the requirements of this section for an  
46 application or event.

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

3       4-208. Rejection as to location

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

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

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

20       4-209. Fees for license, application, issuance, renewal and  
21 transfer; late renewal penalty; seasonal operation;  
22 surcharges

23       A. A fee shall accompany an application for an original license or  
24 transfer of a license, or in case of renewal, shall be paid in advance.  
25 Every license expires annually, except that a license may be renewed for a  
26 two-year period pursuant to subsection M of this section if no compliance  
27 penalties have been issued to that location during the year before the  
28 renewal. A licensee who fails to renew the license on or before the due  
29 date shall pay a penalty of \$150, which the licensee shall pay with the  
30 renewal fee. A license renewal that is deposited, properly addressed and  
31 postage prepaid in an official depository of the United States mail on or  
32 before the due date shall be deemed filed and received by the department  
33 on the date shown by the postmark or other official mark of the United  
34 States postal service stamped on the envelope. If the due date falls on a  
35 Saturday, Sunday or other legal holiday, the renewal shall be considered  
36 timely if it is received by the department on the next business day. The  
37 director may waive a late renewal penalty if good cause is shown by the  
38 licensee. A licensee who fails to renew the license on or before the due  
39 date may not sell, purchase or otherwise deal in spirituous liquor until  
40 the license is renewed. A license that is not renewed within sixty days  
41 after the due date is deemed terminated. The director may renew the  
42 terminated license if good cause is shown by the licensee. Except an  
43 application fee for a permit pursuant to section 4-203.07 and section  
44 4-205.02, subsection K and leases pursuant to sections 4-203.06 and  
45 4-203.07, an application fee for an original license or the transfer of a  
46 license shall be \$100, which shall be retained by this state.

47       B. Issuance fees for original licenses shall be:

- 1           1. For an in-state producer's license to ~~[manufacture or]~~ produce  
2 spirituous liquor OR [MANUFACTURE] ADULT HEMP BEVERAGES in this state,  
3 \$1,500.
- 4           2. Except as provided in paragraph 15 of this subsection, for an  
5 out-of-state producer's, exporter's, importer's or rectifier's license,  
6 \$200.
- 7           3. For a microbrewery license, \$300.
- 8           4. For a wholesaler's license to sell spirituous liquors OR ADULT  
9 HEMP BEVERAGES, \$1,500.
- 10          5. For a government license issued in the name of a state agency,  
11 state commission, state board, county, city, town, community college or  
12 state university or the national guard, \$100.
- 13          6. For a bar license, which is an on-sale retailer's license to  
14 sell all spirituous liquors OR ADULT HEMP BEVERAGES primarily by  
15 individual portions and in the original containers, \$1,500.
- 16          7. For a beer and wine bar license, which is an on-sale retailer's  
17 license to sell beer, ~~and~~ wine AND ADULT HEMP BEVERAGES primarily by  
18 individual portions and in the original containers, \$1,500.
- 19          8. For a conveyance license issued to an operating railroad  
20 company, to sell all spirituous liquors in individual portions or in the  
21 original containers on all passenger trains operated by the railroad  
22 company, or to an operating airline company, to sell or serve spirituous  
23 liquors solely in individual portions on all passenger planes operated by  
24 the airline company, or to a boat operating in the waters of this state,  
25 to sell all spirituous liquors in individual portions or in the original  
26 containers for consumption on the boat, \$1,500.
- 27          9. For a liquor store license, which is an off-sale retailer's  
28 license to sell all spirituous liquors OR ADULT HEMP BEVERAGES, \$1,500.
- 29          10. For a beer and wine store license, which is an off-sale  
30 retailer's license to sell beer, ~~and~~ wine OR ADULT HEMP BEVERAGES, \$1,500.
- 31          11. For a hotel-motel license issued as such, to sell and serve  
32 spirituous liquors OR ADULT HEMP BEVERAGES solely for consumption on the  
33 licensed premises of the hotel or motel, \$1,500.
- 34          12. For a restaurant license issued as such, to sell and serve  
35 spirituous liquors OR ADULT HEMP BEVERAGES solely for consumption on the  
36 licensed premises of the restaurant, \$1,500. For a permit issued under  
37 section 4-205.02, subsection H allowing for the sale of beer for the  
38 consumption off the licensed premises pursuant to section 4-244, paragraph  
39 32, subdivision (c), the director may charge a fee. For an application  
40 for a permit pursuant to section 4-203.07 and section 4-205.02, subsection  
41 K, the director may charge a fee. The director may establish and charge  
42 fees for lease applications pursuant to sections 4-203.06 and 4-203.07.
- 43          13. For a farm winery license, \$100. The director may charge a  
44 licensed farm winery a fee pursuant to section 4-205.04, subsection K.
- 45          14. For a club license issued in the name of a bona fide club  
46 qualified under this title to sell all spirituous liquors OR ADULT HEMP  
47 BEVERAGES on-sale, \$1,000.



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

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

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

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

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

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

19       D. The annual fees for licenses shall be:

20       1. For an in-state producer's license to ~~[manufacture or]~~ produce  
21 spirituous liquors OR [MANUFACTURE] ADULT HEMP BEVERAGES in this state,  
22 \$350.

23       2. Except as provided in paragraph 15 of this subsection, for an  
24 out-of-state producer's, exporter's, importer's or rectifier's license,  
25 \$50.

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

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

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

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

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

37       8. For a conveyance license issued to an operating railroad  
38 company, to sell all spirituous liquors in individual portions or in the  
39 original containers on all passenger trains operated by the railroad  
40 company, or to an operating airline company, to sell or serve spirituous  
41 liquors solely in individual portions on all passenger planes operated by  
42 the airline company, or to a boat operating in the waters of this state,  
43 to sell all spirituous liquor in individual portions or in the original  
44 containers for consumption on the boat, \$225.

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

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

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

6        12. For a restaurant license issued as such, to sell and serve  
7 spirituous liquors OR ADULT HEMP BEVERAGES solely for consumption on the  
8 licensed premises of the restaurant, \$500, and for a restaurant license  
9 that is allowed to continue operating as a restaurant pursuant to section  
10 4-213, subsection E, an additional amount established by the director.  
11 The department shall transfer this amount to the state treasurer for  
12 deposit in the state general fund. The director may establish an annual  
13 fee for a permit pursuant to section 4-203.07 and section 4-205.02,  
14 subsection K. The director may charge annual lease amounts pursuant to  
15 sections 4-203.06 and 4-203.07.

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

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

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

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

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

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

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

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

39        H. Assignment fees for a change of agent, as provided for in  
40 section 4-202, subsection A, an acquisition of control, as provided for in  
41 section 4-203, subsection F, or a restructuring, as provided for in  
42 section 4-203, subsection H, shall be \$100, except that where a licensee  
43 holds multiple licenses and requests multiple, simultaneous changes, the  
44 change of agent, acquisition of control or restructuring fee for the first  
45 license shall be \$100 and the fee for all remaining licenses shall be \$50  
46 each, except that the aggregate fees shall not exceed \$1,000 for all

1 change of agents, \$1,000 for all acquisitions of control and \$1,000 for  
2 all restructurings.

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

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

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

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

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

45 N. The department shall use all monies received from application  
46 fees for permits issued pursuant to section 4-205.02, subsection K, leases  
47 pursuant to sections 4-203.06 and 4-203.07 and registrations pursuant to

1 section 4-205.13 for administrative costs associated with the permit,  
2 registration or lease and enforcement of this chapter.

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

5 4-210. Grounds for revocation, suspension and refusal to  
6 renew; notice; complaints; hearings; defense

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

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

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

15 3. The licensee, registrant, lessee, permittee or controlling  
16 person knowingly files with the department an application or other  
17 document that contains material information that is false or misleading or  
18 while under oath knowingly gives testimony in an investigation or other  
19 proceeding under this title that is false or misleading.

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

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

26 6. The licensee or controlling person obtains, assigns, transfers  
27 or sells a spirituous liquor license OR ADULT HEMP BEVERAGES MANUFACTURER  
28 LICENSE without complying with this title or leases or subleases a  
29 license.

30 7. The licensee, registrant, lessee or permittee fails to keep for  
31 two years and make available to the department on reasonable request all  
32 invoices, records, bills or other papers and documents relating to the  
33 purchase, sale and delivery of spirituous liquors OR ADULT HEMP BEVERAGES  
34 and, in the case of a restaurant or hotel-motel licensee, all invoices,  
35 records, bills or other papers and documents relating to the purchase,  
36 sale and delivery of food.

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

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

1        10. The licensee, registrant, lessee or permittee fails to take  
2 reasonable steps to protect the safety of a customer of the licensee,  
3 registrant, lessee or permittee or any other person entering, leaving or  
4 remaining on the licensed premises when the licensee knew or reasonably  
5 should have known of the danger to the person, or the licensee fails to  
6 take reasonable steps to intervene by notifying law enforcement officials  
7 or otherwise to prevent or break up an act of violence occurring on the  
8 licensed premises or immediately adjacent to the premises when the  
9 licensee knew or reasonably should have known of the acts of violence.  
10 The duty to protect a customer or other person on the licensed premises  
11 does not limit the licensee from using, as necessary, reasonable  
12 intervention, reasonable restraint or reasonable removal of a person from  
13 the premises to prevent that person from injuring other persons on the  
14 premises or damaging or disrupting the premises.

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

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

25        13. There occurs on the licensed premises a serious act of  
26 violence. For the purposes of this paragraph, "serious act of violence"  
27 means an act of violence in which a serious injury causes the death or  
28 critical injury of a person and the injuries would be obvious to a  
29 reasonable person.

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

35        15. The licensee, registrant, lessee or permittee violates an order  
36 of the board.

37        B. For the purposes of:

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

42        2. Subsection A, paragraphs 9 and 10 of this section, acts or  
43 omissions of an employee of a licensee that violate this title or rules  
44 adopted pursuant to this title are deemed to be acts or omissions of the  
45 licensee. Acts or omissions by an employee or licensee committed during  
46 the time the licensed premises were operated pursuant to an interim permit

1 or without a license may be charged as if they had been committed during  
2 the period the premises were duly licensed.

3 C. The director may suspend, revoke or refuse to issue, transfer or  
4 renew a license, registration, lease or permit under this section based  
5 solely on the unrelated conduct or fitness of any officer, director,  
6 managing agent or other controlling person if the controlling person  
7 retains any interest in or control of the licensee, registrant, lessee or  
8 permittee after sixty days following written notice to the licensee,  
9 registrant, lessee or permittee. If the controlling person holds stock in  
10 a corporate licensee, registrant, lessee or permittee or is a partner in a  
11 partnership licensee, registrant, lessee or permittee, the controlling  
12 person may only divest himself of the controlling person's interest by  
13 transferring the interest to the existing stockholders or partners who  
14 must demonstrate to the department that they meet all the requirements for  
15 licensure, registration, leasing or permitting. For the purposes of this  
16 subsection, the conduct or fitness of a controlling person is unrelated if  
17 it would not be attributable to the licensee, registrant, lessee or  
18 permittee.

19 D. If the director finds, based on clear and convincing evidence in  
20 the record, that a violation involves the use by the licensee, registrant,  
21 lessee or permittee of a drive-through or walk-up service window or other  
22 physical feature of the licensed premises that allows a customer to  
23 purchase spirituous liquor OR ADULT HEMP BEVERAGES without leaving the  
24 customer's vehicle or, with respect to a walk-up service window that  
25 prevents the licensee, registrant, lessee or permittee from fully  
26 observing the customer, and that the use of that drive-through or walk-up  
27 service window or other physical feature caused the violation, the  
28 director may suspend or terminate the licensee's, registrant's, lessee's  
29 or permittee's use of the drive-through or walk-up service window or other  
30 physical feature for the sale of spirituous liquor OR ADULT HEMP  
31 BEVERAGES, in addition to any other sanction.

32 E. The director may refuse to transfer any license, registration,  
33 lease or permit or issue a new license, registration, lease or permit at  
34 the same location if the director has filed a complaint against the  
35 license, registration, lease, permit or location that has not been  
36 resolved alleging a violation of any of the grounds stated in subsection A  
37 of this section until the time the complaint has been finally adjudicated.

38 F. The director shall receive all complaints of alleged violations  
39 of this chapter and is responsible for investigating all allegations of a  
40 violation of, or noncompliance with, this title, any rule adopted pursuant  
41 to this title or any condition imposed on the licensee, registrant, lessee  
42 or permittee by the license, registration, lease or permit. When the  
43 director receives three complaints from any law enforcement agency  
44 resulting from three separate incidents at a licensed, leased or permitted  
45 establishment or by a registrant within a twelve-month period, the  
46 director shall transmit a written report to the board setting forth the  
47 complaints, the results of any investigation conducted by the law

1 enforcement agency or the department relating to the complaints and a  
2 history of all prior complaints against the license, registration, lease  
3 or permit and their disposition. The board shall review the report and  
4 may direct the director to conduct further investigation of a complaint or  
5 to serve a licensee, registrant, lessee or permittee with a complaint and  
6 notice of a hearing pursuant to subsection G of this section.

7       G. On the director's initiation of an investigation or on the  
8 receipt of a complaint and an investigation of the complaint as deemed  
9 necessary, the director may cause a complaint and notice of a hearing to  
10 be directed to the licensee, registrant, lessee or permittee that states  
11 the violations alleged against the licensee, registrant, lessee or  
12 permittee and directing the licensee, registrant, lessee or permittee,  
13 within fifteen days after service of the complaint and notice of a  
14 hearing, to appear by filing with the director an answer to the complaint.  
15 Failure of the licensee, registrant, lessee or permittee to answer may be  
16 deemed an admission by the licensee, registrant, lessee or permittee of  
17 commission of the act charged in the complaint. The director may then  
18 vacate the hearing and impose any sanction provided by this article. The  
19 director may waive any sanction for good cause shown, including excusable  
20 neglect. With respect to any violation of this title or any rule adopted  
21 pursuant to this title that is based on the act or omission of a  
22 licensee's, registrant's, lessee's or permittee's employee, the director  
23 shall consider evidence of mitigation presented by the licensee,  
24 registrant, lessee or permittee and established by a preponderance of the  
25 evidence that the employee acted intentionally and in violation of the  
26 express direction or policy adopted by the licensee, registrant, lessee or  
27 permittee and communicated to the employee and that the employee  
28 successfully completed training in a course approved by the director  
29 pursuant to section 4-112, subsection G, paragraph 2. The director may  
30 set the hearing before the director or an administrative law judge on any  
31 of the grounds stated in subsection A of this section. Instead of issuing  
32 a complaint, the director may provide for informal disposition of the  
33 matter by consent agreement or may issue a written warning to the  
34 licensee, registrant, lessee or permittee. If a warning is issued, the  
35 licensee, registrant, lessee or permittee may reply in writing and the  
36 director shall keep a record of the warning and the reply.

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

44       I. The expiration, cancellation, revocation, reversion, surrender,  
45 acceptance of surrender or termination in any other manner of a license,  
46 registration, lease or permit does not prevent the initiation or  
47 completion of a disciplinary proceeding pursuant to this section against



1 the licensee, registrant, lessee or permittee or license, registration,  
2 lease or permit. An order issued pursuant to a disciplinary proceeding  
3 against a license, registration, lease or permit is enforceable against  
4 other licenses, registrations, leases or permits or subsequent licenses,  
5 registrations, leases or permits in which the licensee, registrant,  
6 lessee, permittee or controlling person of the license, registration,  
7 lease or permit has a controlling interest.

8 J. The department shall provide the same notice as is provided to  
9 the licensee, registrant, lessee or permittee to a lienholder, which has  
10 provided a document under section 4-112, subsection B, paragraph 3, of all  
11 disciplinary or compliance action with respect to a license, registration,  
12 lease or permit issued pursuant to this title. The state is not liable  
13 for damages for any failure to provide any notice pursuant to this  
14 subsection.

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

19 1. That the lienholder's interest is a bona fide security interest.  
20 For the purposes of this paragraph, "bona fide security interest" means  
21 the lienholder provides actual consideration to the licensee, registrant,  
22 lessee or permittee or the licensee's, registrant's, lessee's or  
23 permittee's predecessor in interest in exchange for the lienholder's  
24 interest. Bona fide security interest includes a lien taken by the seller  
25 of a license, registration, lease or permit as security for the seller's  
26 receipt of all or part of the purchase price of the license, registration,  
27 lease or permit.

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

31 3. That the lienholder took reasonable steps to correct the  
32 licensee's, registrant's, lessee's or permittee's prior actions, if any,  
33 or initiated an action pursuant to available contract rights against the  
34 licensee, registrant, lessee or permittee for the forfeiture of the  
35 license, registration, lease or permit after being provided with notice by  
36 the department of disciplinary action as provided in subsection J of this  
37 section.

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

40 5. That the lienholder reasonably attempted to remain informed by  
41 the licensee, registrant, lessee or permittee about the business's  
42 conduct.

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

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

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

5           M. If any on-sale licensee proposes to provide large capacity  
6 entertainment events or sporting events with an attendance capacity  
7 exceeding a limit established by the director, the director may request a  
8 security plan from the licensee that may include trained security  
9 officers, lighting and other requirements. This subsection exclusively  
10 prescribes the security requirements for a licensee and does not create  
11 any civil liability for this state, its agencies, agents or employees or a  
12 person licensed under this title or agents or employees of a licensee.

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

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

21           4-212. Injunctions

22           If the board or the director has reasonable grounds to believe that  
23 a person is violating section 4-244.05 or 4-250.01 or is manufacturing,  
24 [PRODUCING.] selling or dealing in spirituous liquor OR ADULT HEMP  
25 BEVERAGES without a valid license, permit or registration in violation of  
26 this title, the board or the director may apply to the superior court for  
27 a temporary restraining order and other injunctive relief prohibiting the  
28 specific acts complained of by the board or the director.

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

31           4-213. Restaurant audit

32           A. The director may require a restaurant to submit an audit of its  
33 records to demonstrate compliance with section 4-205.02. The director  
34 shall not require an establishment to submit to such an audit more than  
35 once a year after the initial twelve months of operation and shall not  
36 audit the first three months of operation even if the establishment is  
37 allowed to continue operating as a restaurant pursuant to subsection E of  
38 this section.

39           B. Except as provided in subsection D of this section, the  
40 department shall audit accounts, records and operations of a licensee that  
41 cover a ~~twelve-month~~ TWELVE-MONTH period. When conducting an audit, the  
42 department shall use generally accepted auditing standards. An  
43 establishment that averages at least forty percent of its gross revenue  
44 from the sale of food during the ~~twelve-month~~ TWELVE-MONTH audit period  
45 shall be deemed to comply with the gross revenue requirements of section  
46 4-205.02. The ~~twelve-month~~ TWELVE-MONTH audit period shall fall within  
47 the sixteen months immediately preceding the beginning of the audit.

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

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

9 2. At least thirty percent but less than thirty-seven percent, the  
10 department shall allow the licensee a six-month period to continue to  
11 operate under the restaurant license, during which the licensee shall  
12 either:

13 (a) Replace the license with a bar or beer and wine bar license,  
14 except that, at the end of that six-month period, the department shall  
15 revoke the restaurant license or the licensee shall surrender the  
16 restaurant license.

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

19 3. At least thirty-seven percent but less than forty percent, the  
20 licensee shall be granted a period of one year to continue to operate  
21 under the restaurant license, during which the licensee shall attempt to  
22 increase the food percentage to at least forty percent. If the licensee  
23 does not increase the percentage of food sales to at least forty percent,  
24 the department shall allow the licensee a six-month period to continue to  
25 operate under the restaurant license, during which the licensee shall  
26 either:

27 (a) Replace the license with a bar or beer and wine bar license,  
28 except that, at the end of the six-month period, the department shall  
29 revoke the restaurant license or the licensee shall surrender the  
30 restaurant license.

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

33 D. The department may conduct an audit of a licensee described in  
34 section 4-209, subsection B, paragraph 12 after twelve months following  
35 the beginning of operations as a restaurant by the licensee to determine  
36 compliance by the licensee with section 4-205.02, except that the  
37 department may conduct an audit of a licensee within the first twelve  
38 months of operation if the licensee has made a substantial modification in  
39 the restaurant equipment, service or entertainment items or seating  
40 capacity during that twelve-month period, in which event the department  
41 may conduct the audit for a period of less than twelve months.

42 E. A restaurant licensee may continue to operate with its  
43 restaurant license if its food sales are at least thirty percent and less  
44 than forty percent and the department approves the continuation of the  
45 restaurant license pursuant to this subsection and subsections C, F, G, H  
46 and I of this section. The department shall not approve more than fifteen  
47 restaurant licenses pursuant to this subsection and subsections C, F, G, H

1 and I of this section in any fiscal year. The department shall not  
2 approve any additional licenses pursuant to this subsection and  
3 subsections C, F, G, H and I of this section from consent agreements  
4 entered into or audits conducted in any fiscal year after 2012-2013. The  
5 department may approve a request submitted by the licensee to continue to  
6 operate with its restaurant license only if all of the following apply at  
7 the time the licensee files its request with the department:

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

11       2. The restaurant's equipment is of a sufficient grade and the size  
12 of the restaurant's kitchen is appropriate to the menu offered and the  
13 kitchen occupies not less than twenty percent of the total floor space of  
14 the licensed premises.

15       3. The menu is of a type consistent with a restaurant operation.  
16 In making a determination pursuant to this paragraph, the department may  
17 consider the proportion of food sales to alcohol sales, the price of  
18 spirituous liquor beverages, **ADULT HEMP BEVERAGES** and food served by the  
19 licensee and whether the licensee provides reduced price or complimentary  
20 food and beverages.

21       4. Not more than thirty percent of the public interior area floor  
22 space consists of pool tables, dart or arcade games, barstools, cocktail  
23 tables and similar types of seating and dance floors, and the aggregate  
24 area of all dance floors on the premises is not greater than ten percent  
25 of the total floor space of the public area of the premises.

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

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

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

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

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

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

46       H. If the department intends to disapprove a restaurant's  
47 continuation of operation pursuant to subsection E of this section, or if

1 the local jurisdiction or its agent timely objects to its continuation,  
2 the department shall set a hearing before the board and the local  
3 jurisdiction shall post a notice of the hearing for a period of at least  
4 twenty days on the licensed premises. The city or town or the county may  
5 testify at the hearing and bona fide residents who own, lease or reside on  
6 property within a ~~one-mile~~ ONE-MILE radius of the licensed premises may  
7 testify before the board regarding the licensee's request. The board  
8 shall determine whether the restaurant may continue its operation based on  
9 consideration of the criteria listed in subsection E of this section.

10 I. A restaurant licensee may continue to operate with its  
11 restaurant license pursuant to subsection E of this section if the  
12 restaurant and the restaurant licensee continue to meet the requirements  
13 of this subsection, subsection E of this section and any other statute.  
14 As a condition of continuing operation as a restaurant under subsection E  
15 of this section, the department may require the licensee to specifically  
16 acknowledge the representations made by the licensee regarding its  
17 operations in support of the licensee's continuing operation as a  
18 restaurant. Notwithstanding subsection A of this section, if the licensee  
19 changes its operation in any way that materially and detrimentally affects  
20 the representations made by the licensee, the department may audit the  
21 licensee or terminate the license without an audit.

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

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

29 4-214. Arizona wines; labeling

30 A. ~~[A person licensed as]~~ A farm winery [LICENSED] pursuant to  
31 section 4-205.04 or ~~[licensed as]~~ a producer [LICENSED] pursuant to  
32 section 4-203 may label a wine offered for sale that states that the wine  
33 is any of the following:

34 1. An Arizona wine or a wine from a particular county in this  
35 state, if at least seventy-five percent of the wine by volume is produced  
36 ~~[or manufactured]~~ from grapes or other fruit grown in this state and is  
37 fermented, processed, bottled and labeled in this state.

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

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

46 4. Estate bottled, if one hundred percent of the wine by volume is  
47 produced ~~[or manufactured]~~ from a winery in a particular federally

1 recognized viticultural area in which all grapes or other fruit were  
2 grown, crushed, fermented, processed, aged and bottled in a continuous  
3 process, the wine at no time having left the premises of the bottling  
4 winery.

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

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

10 4-215. Regional shopping centers; commercial offices and  
11 retail centers; extension of premises; application;  
12 approval; fee; definition

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

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

23 1. The COMMERCIAL OFFICE AND RETAIL center is under one management  
24 company.

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

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

29 C. The premises extension, if issued, shall allow designated  
30 on-sale retail licensees to sell spirituous liquor OR ADULT HEMP BEVERAGES  
31 and to allow patrons to consume spirituous liquor OR ADULT HEMP BEVERAGES  
32 throughout a designated pedestrian area of the regional shopping center or  
33 commercial office and retail center.

34 D. At least sixty days before submitting the application to the  
35 director, the regional shopping center or commercial office and retail  
36 center shall submit a copy of the application to the local governing body  
37 for review. The local governing body has sixty days after the regional  
38 shopping center or commercial office and retail center submits the  
39 application to the local governing body to review the application and  
40 provide advisory recommendations to the director. The director may not  
41 accept an application before the local governing body review period has  
42 elapsed or the local governing body makes its advisory recommendations,  
43 whichever is sooner.

1 E. The application shall include the requirement that the regional  
2 shopping center or commercial office and retail center provide plans or  
3 diagrams designating the specific extension of premises requested within  
4 the regional shopping center or commercial office and retail center. The  
5 plan shall delineate the physical arrangement of the extended premises,  
6 including showing the locations of ingress to and egress from the extended  
7 premises and other features of the extended premises as the director may  
8 require.

9 F. The extended premises authorized by the department may include  
10 only areas limited to pedestrian traffic and may not include or be  
11 bisected by a public or private roadway unless the private roadway is  
12 blocked to vehicular traffic or is immediately adjacent to a public or  
13 private roadway. To delineate the extended premises and to control  
14 spirituous liquor OR ADULT HEMP BEVERAGES service in the extended  
15 premises, the plan may use physical barriers, signage, electronic  
16 surveillance, security guards, cordons or a combination of these barriers  
17 and strategies.

18 G. The application shall include a provision that the regional  
19 shopping center or commercial office and retail center designate the times  
20 of spirituous liquor OR ADULT HEMP BEVERAGES service on the extended  
21 premises. The regional shopping center or commercial office and retail  
22 center may file with the director a request to modify the designated times  
23 of spirituous liquor OR ADULT HEMP BEVERAGES service, and the director,  
24 for good cause shown, may modify the designated times of spirituous liquor  
25 OR ADULT HEMP BEVERAGES service.

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

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

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

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

34 3. The extended premises under this section may not overlap the  
35 licensed premises of any other licensee under this title that is not  
36 subject to the extension of premises.

37 4. The regional shopping center, the manager of the commercial  
38 office and retail center and on-sale retail licensees may not alter the  
39 physical arrangement of the extended premises to use additional or  
40 different space, locations of ingress or egress or accommodations without  
41 first complying with the process provided in subsection A or B of this  
42 section.

43 5. Notwithstanding any other law, the director may cancel or  
44 suspend an on-sale retail licensee's approval to extend its premises under  
45 this section for good cause at any time. The regional shopping center,  
46 the manager of the commercial office and retail center or the licensee may



1 appeal an order to cancel or suspend the approval in accordance with the  
2 administrative appeal provisions provided in this title.

3         6. An extension of premises issued pursuant to this section is not  
4 transferable.

5         J. For the purposes of this section, "local governing body" means  
6 the county board of supervisors if the regional shopping center or  
7 commercial office and retail center is located in an unincorporated area  
8 or the governing body of the city or town if the regional shopping center  
9 or commercial office and retail center is located in a city or town.

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

12         4-216. Adult hemp beverages manufacturer license; issuance;  
13                 regulations; fees; definition

14         A. AN ADULT HEMP BEVERAGES MANUFACTURER LICENSE SHALL BE REQUIRED  
15 FOR MANUFACTURING INDUSTRIAL HEMP INTO ADULT HEMP BEVERAGES PRODUCTS AND  
16 OFFERING THOSE PRODUCTS FOR SALE IN THIS STATE.

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

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

32         D. AT THE TIME OF FILING THE APPLICATION FOR AN ADULT HEMP  
33 BEVERAGES MANUFACTURER LICENSE, AN APPLICANT SHALL ACCOMPANY THE  
34 APPLICATION WITH THE FEE FOR ADDING TO A CURRENT LICENSE OR OBTAINING A  
35 NEW LICENSE. THE DIRECTOR MAY DETERMINE THE AMOUNT OF THE FEE. A PERSON  
36 WHO HOLDS AN ADULT HEMP BEVERAGES MANUFACTURER LICENSE SHALL REPORT  
37 ANNUALLY AT THE END OF EACH CALENDAR YEAR, AT THE TIME AND IN THE MANNER  
38 AS THE DIRECTOR PRESCRIBES, THE AMOUNT OF ADULT HEMP BEVERAGES  
39 MANUFACTURED BY THE LICENSEE DURING THE CALENDAR YEAR.

40         E. A LICENSED ADULT HEMP BEVERAGES MANUFACTURER MAY DO ALL OF THE  
41 FOLLOWING:

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

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

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

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

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

9        F. EXCEPT AS EXPRESSLY ALLOWED UNDER THIS SECTION OR SECTION  
10 4-205.04, 4-205.08, 4-205.09, 4-205.10, 4-205.11, 4-205.12, 4-205.14 OR  
11 4-243.02, AN ADULT HEMP BEVERAGES MANUFACTURER LICENSEE IS PROHIBITED FROM  
12 HOLDING ANY RETAIL LICENSE UNDER THIS TITLE OR SELLING DIRECTLY TO A  
13 RETAILER OR CONSUMER.

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

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

19        I. FOR THE PURPOSES OF THIS SECTION, "MANUFACTURE" AND  
20 "MANUFACTURING":

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

23        2. DOES NOT INCLUDE EXTRACTION OF CANNABINOIDS FROM INDUSTRIAL  
24 HEMP.

25        <<Sec. 31. Section 4-221, Arizona Revised Statutes, is amended to  
26 read:

27        4-221. Registration of stills; forfeiture; sale; proceeds

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

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

44        C. The notice shall be posted at the courthouse in the county in  
45 which the personal property was seized or at the office of the director  
46 and shall be published in a newspaper of general circulation published in  
47 this state ~~[which]~~ [THAT] is nearest to the place where the personal

1 property was seized. After paying the expenses of the publication and the  
2 expenses of sale from the proceeds of the sale, any balance shall be paid  
3 into the [STATE] general fund ~~[of the state]~~.>>

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

6 4-222. Registration of retail agents; fees

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

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

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

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

35 4-223. Authority of cities and towns to tax transactions  
36 involving spirituous liquors or adult hemp  
37 beverages; prohibitions

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

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

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

3       4-224. Local ordinances; prohibitions

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

14       Sec. 35. Repeal

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

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

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

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

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

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

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

45       1. BE A QUALIFIED LABORATORY THAT IS APPROVED BY THE DEPARTMENT TO  
46 ANALYZE THE POTENCY OF ADULT HEMP BEVERAGES AND TEST ADULT HEMP BEVERAGES

1 FOR HARMFUL CONTAMINANTS IN ACCORDANCE WITH THE REQUIREMENTS OF THIS  
2 SECTION AND ANY APPLICABLE RULES.

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

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

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

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

14 1. THE BATCH IDENTIFICATION NUMBER.

15 2. THE DATE RECEIVED.

16 3. THE DATE OF COMPLETION.

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

18 5. PROOF THAT THE CERTIFICATE OF ANALYSIS IS CONNECTED TO THE  
19 PRODUCT.

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

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

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

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

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

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

38 1. THE BRAND NAME.

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

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

41 4. A LIST OF INGREDIENTS, INCLUDING:

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

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

44 (c) THE AMOUNT OF TOTAL TETRAHYDROCANNABINOL AND NUMBER OF SERVINGS  
45 IN MILLIGRAMS.

46 5. THE BATCH NUMBER.

1       6. A STATEMENT THAT USE WHILE PREGNANT OR BREASTFEEDING MAY BE  
2 HARMFUL.

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

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

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

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

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

15      12. THE EXPIRATION DATE.

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

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

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

27      4-226. Exemptions

28      This title does not apply to the following:

29      1. Drugstores selling spirituous liquors only on prescription.

30      2. Any confectionery candy containing less than five percent by  
31 weight of alcohol.

32      3. Ethyl alcohol intended for use or used for the following  
33 purposes:

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

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

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

44      (d) In the manufacture of patented, patent, proprietary, medicinal,  
45 pharmaceutical, antiseptic, toilet, scientific, chemical, mechanical and  
46 industrial preparations or products, unfit and not used for beverage  
47 purposes.

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

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

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

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

20 7. THE EXTRACTION OF CANNABINOIDS FROM INDUSTRIAL HEMP, THE PRODUCT  
21 OF WHICH IS AN EXTRACT USED TO MANUFACTURE AN ADULT HEMP BEVERAGES  
22 PRODUCT.

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

25 4-227. Qualified retail cooperatives; pricing; definitions

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

29 B. As used in this section:

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

34 2. "Qualified retail cooperative" means a retail cooperative of two  
35 or more retail licensees or licenses.

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

38 4-227.01. Channel pricing; definition

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

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

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

46 B. If an establishment has multiple licenses at the same location  
47 and the licenses are not from the same channel, the spirituous liquor OR



1 ADULT HEMP BEVERAGES shall be sold under the channel that represents the  
2 primary use of the premises.

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

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

10 4-241. Selling or giving liquor or adult hemp beverages to  
11 underage person; illegally obtaining liquor or adult  
12 hemp beverages by underage person; violation;  
13 classification

14 A. If a licensee, an employee of the licensee or any other person  
15 questions or has reason to question that the person ordering, purchasing,  
16 attempting to purchase or otherwise procuring or attempting to procure the  
17 serving or delivery of spirituous liquor OR ADULT HEMP BEVERAGES or  
18 entering a portion of a licensed premises when the primary use is the sale  
19 or service of spirituous liquor OR ADULT HEMP BEVERAGES is under the legal  
20 drinking age, the licensee, employee of the licensee or other person shall  
21 do all of the following:

- 22 1. Demand identification from the person.
- 23 2. Examine the identification to determine that the identification  
24 reasonably appears to be a valid, unaltered identification that has not  
25 been defaced.
- 26 3. Examine the photograph in the identification and determine that  
27 the person reasonably appears to be the same person in the identification.
- 28 4. Determine that the date of birth in the identification indicates  
29 the person is not under the legal drinking age.

30 B. A licensee or an employee of the licensee who follows the  
31 procedures prescribed in subsection A of this section and who records and  
32 retains a record of the person's identification on this particular visit,  
33 or a licensee or an employee of the licensee who uses a biometric identity  
34 verification device to verify a person is not under the legal drinking age  
35 as provided in subsection W of this section, is not in violation of  
36 subsection J of this section or section 4-244, paragraph 9 or 22. This  
37 defense applies to actions of the licensee and all employees of the  
38 licensee after the procedure prescribed in subsection A or W of this  
39 section has been employed during the particular visit to the licensed  
40 premises by the person. A licensee or an employee of the licensee is not  
41 required to demand and examine identification of a person pursuant to  
42 subsection A or W of this section if, during this visit to the licensed  
43 premises by the person, the licensee or any employee of the licensee has  
44 previously followed the procedure prescribed in subsection A or W of this  
45 section.

46 C. Proof that the licensee or employee followed the entire  
47 procedure prescribed in subsection A of this section but did not record

1 and retain a record as prescribed in subsection B of this section is an  
2 affirmative defense to a criminal charge under subsection J of this  
3 section or under section 4-244, paragraph 9 or 22 or a disciplinary action  
4 under section 4-210 for a violation of subsection J of this section or  
5 section 4-244, paragraph 9 or 22. This defense applies to actions of the  
6 licensee and all employees of the licensee after the procedure has been  
7 employed during the particular visit to the licensed premises by the  
8 person.

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

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

19 F. It is a defense to a violation of subsection A of this section  
20 if the person ordering, purchasing, attempting to purchase or otherwise  
21 procuring or attempting to procure the serving or delivery of spirituous  
22 liquor OR ADULT HEMP BEVERAGES or to enter a portion of a licensed  
23 premises when the primary use is the sale or service of spirituous liquor  
24 OR ADULT HEMP BEVERAGES is not under the legal drinking age.

25 G. A person penalized for a violation of subsection J of this  
26 section or section 4-244, paragraph 22 shall not be additionally penalized  
27 for a violation of subsection A or W of this section relating to the same  
28 event.

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

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

34 1. A writing containing the type of identification, the date of  
35 issuance of the identification, the name on the identification, the date  
36 of birth on the identification and the signature of the person.

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

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

40 4. A photograph of the identification.

41 5. A digital copy of the identification.

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

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

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

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

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

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

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

22 6. A valid unexpired passport or a valid unexpired resident alien  
23 card that contains a photograph of the person and the person's date of  
24 birth.

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

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

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

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

42 N. A person who is under the legal drinking age and who uses a  
43 fraudulent or false written instrument of identification or identification  
44 of another person or uses a valid license or identification of another  
45 person to gain access to a licensed establishment is guilty of a class 1  
46 misdemeanor.

1       O. A person who uses a driver or nonoperating identification  
2 license in violation of subsection L or N of this section is subject to  
3 suspension of the driver or nonoperating identification license as  
4 provided in section 28-3309. A person who does not have a valid driver or  
5 nonoperating identification license and who uses a driver or nonoperating  
6 identification license of another in violation of subsection N of this  
7 section has the person's right to apply for a driver or nonoperating  
8 identification license suspended as provided by section 28-3309.

9       P. A person who knowingly influences the sale, giving or serving of  
10 spirituous liquor OR ADULT HEMP BEVERAGES to a person under the legal  
11 drinking age by misrepresenting the age of such person or who orders,  
12 requests, receives or procures spirituous liquor OR ADULT HEMP BEVERAGES  
13 from any licensee, employee or other person with the intent of selling,  
14 giving or serving it to a person under the legal drinking age is guilty of  
15 a class 1 misdemeanor. A licensee or employee of a licensee who has  
16 actual knowledge that a person is under the legal drinking age and who  
17 admits the person into any portion of the licensed premises in violation  
18 of section 4-244, paragraph 22 is in violation of this subsection. In  
19 addition to other penalties provided by law, a judge may suspend a driver  
20 license issued to or the driving privilege of a person for not more than  
21 thirty days for a first conviction and not more than six months for a  
22 second or subsequent conviction under this subsection.

23       Q. A person who is at least eighteen years of age and who is an  
24 occupant of an unlicensed premises is guilty of a class 1 misdemeanor if  
25 the person knowingly hosts on the unlicensed premises a gathering of two  
26 or more persons who are under the legal drinking age and if the person  
27 knows that one or more of the persons under the legal drinking age are in  
28 possession of or consuming spirituous liquor OR ADULT HEMP BEVERAGES on  
29 the unlicensed premises.

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

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

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

37       S. A peace officer shall forward or electronically transfer to the  
38 director of the department of transportation the affidavit required by  
39 section 28-3310 if the peace officer has arrested a person for committing  
40 an offense for which, on conviction, suspension of the license or  
41 privilege to operate a motor vehicle is required by section 28-3309,  
42 subsection A, B, C or D, or if the peace officer has confiscated a false  
43 identification document used by the person to gain access to licensed  
44 premises.

45       T. A person who acts under a program of testing compliance with  
46 this title that is approved by the director is not in violation of section  
47 4-244.

1 U. Law enforcement agencies may use persons who are under the legal  
2 drinking age to test compliance with this section and section 4-244,  
3 paragraph 9 by a licensee if the law enforcement agency has reasonable  
4 suspicion that the licensee is violating this section or section 4-244,  
5 paragraph 9. A person who is under the legal drinking age and who  
6 purchases or attempts to purchase spirituous liquor OR ADULT HEMP  
7 BEVERAGES under the direction of a law enforcement agency pursuant to this  
8 subsection is immune from prosecution for that purchase or attempted  
9 purchase. Law enforcement agencies may use a person under the legal  
10 drinking age pursuant to this subsection only if:

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

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

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

16 4. A photograph of the person is taken not more than twelve hours  
17 before the purchase or attempted purchase. The photograph shall  
18 accurately depict the person's appearance and attire. A licensee or an  
19 employee of a licensee who is cited for selling spirituous liquor OR ADULT  
20 HEMP PRODUCTS to a person under the legal drinking age pursuant to this  
21 subsection is allowed to inspect the photograph immediately after the  
22 citation is issued. The person's appearance at any trial or  
23 administrative hearing that results from a citation shall not be  
24 substantially different from the person's appearance at the time the  
25 citation was issued.

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

29 6. The person does not consume any spirituous liquor OR ADULT HEMP  
30 PRODUCTS.

31 V. The department may adopt rules to carry out the purposes of this  
32 section.

33 W. In lieu of or in addition to the procedures prescribed in  
34 subsection A of this section, a licensee, an employee of the licensee or  
35 any other person who questions or has reason to question whether the  
36 person ordering, purchasing, attempting to purchase or otherwise procuring  
37 or attempting to procure the serving or delivery of spirituous liquor OR  
38 ADULT HEMP BEVERAGES or entering a portion of a licensed premises when the  
39 primary use is the sale or service of spirituous liquor OR ADULT HEMP  
40 BEVERAGES is under the legal drinking age, the licensee, employee of the  
41 licensee or other person may use a biometric identity verification device  
42 to determine the person's age. In any instance where the device indicates  
43 the person is under the legal drinking age, the attempted purchase,  
44 procurement or entry shall be denied.

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

3       4-242. Sale of spirituous liquor or adult hemp beverages on  
4       credit prohibited; exceptions

5       A. It is unlawful for a retail licensee, or an employee or agent of  
6 a licensee, to sell or offer to sell, directly or indirectly, or to  
7 sanction the sale on credit of spirituous liquor OR ADULT HEMP BEVERAGES  
8 to a retailer's customer, or to give, lend or advance money or anything of  
9 value to a retail customer for the purpose of purchasing or bartering for  
10 spirituous liquor OR ADULT HEMP BEVERAGES, except that sales of spirituous  
11 liquor OR ADULT HEMP BEVERAGES consumed on the retail licensed premises  
12 may be included on bills rendered to registered guests in hotels and  
13 motels, and spirituous liquor sales OR ADULT HEMP BEVERAGES SALES for on  
14 or off premises consumption may be made with credit cards approved by the  
15 director, and sales of spirituous liquor OR ADULT HEMP BEVERAGES consumed  
16 on the premises of private clubs may be included on bills rendered to bona  
17 fide members.

18       B. Any wholesaler or producer may engage in credit transactions  
19 with any other wholesaler or producer.

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

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

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

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

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

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

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

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

46       6. To guarantee a loan or repayment of a financial obligation of  
47 the retailer.

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

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

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

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

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

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

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

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

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

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

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

31           (f) All sampling procedures shall comply with APPLICABLE federal  
32 sampling laws and regulations.

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

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

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

41           (c) Sampling is limited to three ounces of beer, TWO OUNCES OF  
42 ADULT HEMP BEVERAGE PRODUCTS, one and one-half ounces of wine or one ounce  
43 of distilled spirits per person per day for consumption on the premises  
44 and up to seventy-two ounces of beer, TWELVE OUNCES OF ADULT HEMP BEVERAGE  
45 PRODUCTS and two ounces of distilled spirits per person per day for  
46 consumption off the premises.



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

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

7 (f) A producer conducting sampling shall buy the sampled product  
8 from a wholesaler or from the retailer where the sampling is being  
9 conducted. If the product for the sampling is purchased from the  
10 retailer, the amount paid for the product must be the same amount that the  
11 retailer charges for sale to the general public.

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

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

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

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

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

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

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

35 1. Means items of equipment, supplies, novelties or other  
36 advertising specialties that conspicuously display the brand name of a  
37 spirituous liquor product.

38 2. Does not include signs, dispensing or tapping machines or  
39 equipment or refrigerators.

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

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

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

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

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

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

16       4-243.01. Purchasing from other than primary source of supply  
17               unlawful; definitions

18       A. It is unlawful:

19       1. For any supplier to solicit, accept or fill any order for any  
20 spirituous liquor OR ADULT HEMP BEVERAGES from any wholesaler in this  
21 state unless the supplier is the primary source of supply for the brand of  
22 spirituous liquor OR ADULT HEMP BEVERAGES sold or sought to be sold and is  
23 duly licensed by the board.

24       2. For any wholesaler or any other licensee in this state to order,  
25 purchase or receive any spirituous liquor OR ADULT HEMP BEVERAGES from any  
26 supplier unless the supplier is the primary source of supply for the brand  
27 ordered, purchased or received.

28       3. Except as provided by section 4-243.02, for a retailer to order,  
29 purchase or receive any spirituous liquor OR ADULT HEMP BEVERAGES from any  
30 source other than any of the following:

31       (a) A wholesaler that has purchased the brand from the primary  
32 source of supply.

33       (b) A wholesaler that is the designated representative of the  
34 primary source of supply in this state and that has purchased such  
35 spirituous liquor OR ADULT HEMP BEVERAGES from the designated  
36 representative of the primary source of supply within or without this  
37 state.

38       (c) A registered retail agent ~~as defined in section 4-101.~~

39       (d) A farm winery that is licensed under section 4-205.04 and that  
40 is subject to the limits prescribed in section 4-205.04, subsection C,  
41 paragraph 7.

42       (e) A licensed microbrewery licensed under section 4-205.08.

43       (f) A craft distiller that is licensed under section 4-205.10 and  
44 that is subject to the limits prescribed in section 4-205.10, subsection  
45 C, paragraph 5.

46       B. All spirituous liquor OR ADULT HEMP BEVERAGES shipped into this  
47 state shall be invoiced to the wholesaler by the primary source of supply.

1 All spirituous liquor OR ADULT HEMP BEVERAGES shall be unloaded and remain  
2 at the wholesaler's premises for at least twenty-four hours. A copy of  
3 each invoice shall be transmitted by the wholesaler and the primary source  
4 of supply to the department of revenue.

5 C. The director may suspend for a period of one year the license of  
6 any wholesaler or retailer who violates this section.

7 D. On determination by the department of revenue that a primary  
8 source of supply has violated this section, a wholesaler may not accept  
9 any shipment of spirituous liquor OR ADULT HEMP BEVERAGES from such  
10 primary source of supply for a period of one year.

11 E. For the purposes of this section:

12 1. "Primary source of supply" means the distiller, producer, owner  
13 of the commodity at the time it becomes a marketable product, bottler or  
14 exclusive agent of any such distributor or owner. In the case of imported  
15 products, the primary source of supply means either the foreign producer,  
16 owner, bottler or agent or the prime importer from, or the exclusive agent  
17 in, the United States of the foreign distiller, producer, bottler or  
18 owner.

19 2. "Wholesaler" means any person, firm or corporation that is  
20 licensed in this state to sell to retailers and that is engaged in the  
21 business of warehousing and distributing brands of various suppliers to  
22 retailers generally in the marketing area in which the wholesaler is  
23 located.

24 Sec. 44. Section 4-243.02, Arizona Revised Statutes, is amended to  
25 read:

26 4-243.02. Sale of beer, wine, distilled spirits or adult hemp  
27 beverages by producer; limitations

28 A. A person who holds a producer's license may sell beer produced  
29 by the producer through the producer's own on-sale retail premises if:

30 1. The producer also holds an on-sale retail license.

31 2. The retail sale of the beer is on or adjacent to the premises of  
32 the producer.

33 B. A person who holds a producer's license may sell wine, ~~or~~  
34 distilled spirits OR ADULT HEMP BEVERAGES produced by the producer at the  
35 producer's licensed premises.

36 Sec. 45. Section 4-243.04, Arizona Revised Statutes, is amended to  
37 read:

38 4-243.04. On-sale retail licensees; ownership interests;  
39 conditions

40 A. Notwithstanding section 4-243, a distiller, vintner, brewer,  
41 rectifier, blender or other producer of spirituous liquor OR ADULT HEMP  
42 BEVERAGES may have a direct or indirect ownership interest or a financial  
43 interest in the license, premises or business ~~or~~ OF an on-sale retail  
44 licensee if each of the following conditions are met:

45 1. The retail licensee purchases all spirituous liquor OR ADULT  
46 HEMP BEVERAGES for sale at the premises from wholesalers that are licensed  
47 in this state.

1           2. The retail licensee does not purchase or sell any brand of  
2 spirituous liquor OR ADULT HEMP BEVERAGES produced by the distiller,  
3 vintner, brewer, rectifier, blender or other producer of spirituous liquor  
4 OR ADULT HEMP BEVERAGES or by any of its subsidiaries or affiliates.

5           3. The sale and service of spirituous liquor OR ADULT HEMP  
6 BEVERAGES at the premises is an independent business that is owned,  
7 managed and supervised by a person or entity that is not employed by and  
8 does not have an ownership interest in the retailer's license, premises or  
9 business and is not employed by and does not have an ownership interest in  
10 the distiller, vintner, brewer, rectifier, blender or other producer of  
11 spirituous liquor OR ADULT HEMP BEVERAGES. The person owning, managing  
12 and supervising the sale and service of spirituous liquor OR ADULT HEMP  
13 BEVERAGES on the premises of the on-sale retail licensee shall be properly  
14 licensed by the department and shall have entered into a commercial lease  
15 or operating or management agreement with the owner or operator of the  
16 premises. This paragraph does not prohibit the sale and service of  
17 spirituous liquor OR ADULT HEMP BEVERAGES by employees of the owner or  
18 operator of the premises who act under the supervision of the independent  
19 licensee. This paragraph does not prevent the payment of rent, rent  
20 calculated as a percentage of gross receipts or a percentage of gross  
21 receipts from the sale of spirituous liquor OR ADULT HEMP BEVERAGES to the  
22 owner or operator of the premises.

23           B. Notwithstanding section 4-243, a distiller, vintner, brewer,  
24 rectifier, blender or other producer of spirituous liquor OR ADULT HEMP  
25 BEVERAGES may directly or indirectly furnish, give, rent, lend or sell to  
26 an on-sale retail licensee equipment, fixtures, signs, furnishings, money  
27 or other things of value if each of the following conditions are met:

28           1. The retail licensee purchases all spirituous liquor OR ADULT  
29 HEMP BEVERAGES for sale at the premises from wholesalers that are licensed  
30 in this state.

31           2. The retail licensee does not purchase or sell any brand of  
32 spirituous liquor OR ADULT HEMP BEVERAGES produced by the distiller,  
33 vintner, brewer, rectifier, blender or other producer of spirituous liquor  
34 OR ADULT HEMP BEVERAGES or by any of its subsidiaries or affiliates.

35           3. The retail licensee is a franchisee of a person that is  
36 affiliated with the distiller, vintner, brewer, rectifier, blender or  
37 other producer of spirituous liquor OR ADULT HEMP BEVERAGES and the  
38 compensation paid by the retail licensee as a franchise fee or royalty is  
39 not based on revenue derived from the sale of spirituous liquor OR ADULT  
40 HEMP BEVERAGES.

41           Sec. 46. Section 4-244, Arizona Revised Statutes, is amended to  
42 read:

43           4-244. Unlawful acts; definition

44           It is unlawful:

45           1. For a person to buy for resale, sell or deal in spirituous  
46 liquors OR ADULT HEMP BEVERAGES in this state without first having  
47 procured a license duly issued by the board, except that the director may

1 issue a temporary permit of any series pursuant to section 4-205.05 to a  
2 trustee in bankruptcy to acquire and dispose of the spirituous liquor OR  
3 ADULT HEMP BEVERAGES of a debtor.

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

6       3. For a distiller, vintner, brewer or wholesaler knowingly to  
7 sell, dispose of or give spirituous liquor OR ADULT HEMP BEVERAGES to any  
8 person other than a licensee except in sampling wares as may be necessary  
9 in the ordinary course of business, except in donating spirituous liquor  
10 to a nonprofit organization that has obtained a special event license for  
11 the purpose of charitable fundraising activities or except in donating  
12 spirituous liquor with a cost to the distiller, brewer or wholesaler of up  
13 to \$500 in a calendar year to an organization that is exempt from federal  
14 income taxes under section 501(c) (3), (4), (6) or (7) of the internal  
15 revenue code and not licensed under this title.

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

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

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

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

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

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

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

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

17           12. For a licensee, when engaged in waiting on or serving  
18 customers, to consume spirituous liquor OR ADULT HEMP BEVERAGES or for a  
19 licensee or on-duty employee to be on or about the licensed premises while  
20 in an intoxicated or disorderly condition.

21           13. For an employee of a retail licensee, during that employee's  
22 working hours or in connection with such employment, to give to or  
23 purchase for any other person, accept a gift of, purchase for the employee  
24 or consume spirituous liquor OR ADULT HEMP BEVERAGES, except that:

25           (a) An employee of a licensee, during that employee's working hours  
26 or in connection with the employment, while the employee is not engaged in  
27 waiting on or serving customers, may give spirituous liquor OR ADULT HEMP  
28 BEVERAGES to or purchase spirituous liquor OR ADULT HEMP BEVERAGES for any  
29 other person.

30           (b) An employee of an on-sale retail licensee, during that  
31 employee's working hours or in connection with the employment, while the  
32 employee is not engaged in waiting on or serving customers, may taste  
33 samples of beer, ADULT HEMP BEVERAGES or wine of not more than four ounces  
34 per day or distilled spirits of not more than two ounces per day provided  
35 by an employee of a wholesaler or distributor who is present at the time  
36 of the sampling.

37           (c) An employee of an on-sale retail licensee, under the  
38 supervision of a manager as part of the employee's training and education,  
39 while not engaged in waiting on or serving customers may taste samples of  
40 distilled spirits of not more than two ounces per educational session or  
41 beer, ADULT HEMP BEVERAGES or wine of not more than four ounces per  
42 educational session, and provided that a licensee does not have more than  
43 two educational sessions in any thirty-day period.

44           (d) An unpaid volunteer who is a bona fide member of a club and who  
45 is not engaged in waiting on or serving spirituous liquor OR ADULT HEMP  
46 BEVERAGES to customers may purchase for himself and consume spirituous  
47 liquor OR ADULT HEMP BEVERAGES while participating in a scheduled event at

1 the club. An unpaid participant in a food competition may purchase for  
2 himself and consume spirituous liquor OR ADULT HEMP BEVERAGES while  
3 participating in the food competition.

4 (e) An unpaid volunteer of a special event licensee under section  
5 4-203.02 may purchase and consume spirituous liquor while not engaged in  
6 waiting on or serving spirituous liquor to customers at the special event.  
7 This subdivision does not apply to an unpaid volunteer whose  
8 responsibilities include verification of a person's legal drinking age,  
9 security or the operation of any vehicle or heavy machinery.

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

14 14. For a licensee or other person to serve, sell or furnish  
15 spirituous liquor OR ADULT HEMP BEVERAGES to a disorderly or obviously  
16 intoxicated person, or for a licensee or employee of the licensee to allow  
17 a disorderly or obviously intoxicated person to come into or remain on or  
18 about the premises, except that a licensee or an employee of the licensee  
19 may allow an obviously intoxicated person to remain on the premises for  
20 not more than thirty minutes after the state of obvious intoxication is  
21 known or should be known to the licensee for a nonintoxicated person to  
22 transport the obviously intoxicated person from the premises. For the  
23 purposes of this section, "obviously intoxicated" means inebriated to the  
24 extent that a person's physical faculties are substantially impaired and  
25 the impairment is shown by significantly uncoordinated physical action or  
26 significant physical dysfunction that would have been obvious to a  
27 reasonable person.

28 15. For an on-sale or off-sale retailer or an employee of such  
29 retailer or an alcohol AND ADULT HEMP BEVERAGES delivery contractor to  
30 sell, dispose of, deliver or give spirituous liquor OR ADULT HEMP  
31 BEVERAGES to a person between the hours of 2:00 a.m. and 6:00 a.m., except  
32 that:

33 (a) A retailer with off-sale privileges may receive and process  
34 orders, accept payment or package, load or otherwise prepare spirituous  
35 liquor OR ADULT HEMP BEVERAGES for delivery at any time, if the actual  
36 deliveries to customers are made between the hours of 6:00 a.m. and 2:00  
37 a.m., at which time section 4-241, subsections A and K apply.

38 (b) The governor, in consultation with the governor's office of  
39 highway safety and the public safety community in this state, may issue an  
40 executive order that extends the closing time until 3:00 a.m. for  
41 spirituous liquor OR ADULT HEMP BEVERAGES sales in connection with a  
42 professional or collegiate national sporting championship event held in  
43 this state.

44 16. For a licensee or employee to knowingly allow any person on or  
45 about the licensed premises to give or furnish any spirituous liquor OR  
46 ADULT HEMP BEVERAGES to any person under twenty-one years of age or  
47 knowingly allow any person under twenty-one years of age to have in the



1 person's possession spirituous liquor OR ADULT HEMP BEVERAGES on the  
2 licensed premises.

3 17. For an on-sale retailer or an employee of such retailer to  
4 allow a person to consume or possess spirituous liquors OR ADULT HEMP  
5 BEVERAGES on the premises between the hours of 2:30 a.m. and 6:00 a.m.,  
6 except that if the governor extends the closing time for a day for  
7 spirituous liquor OR ADULT HEMP BEVERAGES sales pursuant to paragraph 15  
8 of this section it is unlawful for an on-sale retailer or an employee of  
9 such retailer on that day to allow a person to consume or possess  
10 spirituous liquor OR ADULT HEMP BEVERAGES on the premises between the  
11 hours of 3:30 a.m. and 6:00 a.m.

12 18. For an on-sale retailer to allow an employee or for an employee  
13 to solicit or encourage others, directly or indirectly, to buy the  
14 employee drinks or anything of value in the licensed premises during the  
15 employee's working hours. An on-sale retailer shall not serve employees  
16 or allow a patron of the establishment to give spirituous liquor OR ADULT  
17 HEMP BEVERAGES to, purchase liquor OR ADULT HEMP BEVERAGES for or drink  
18 liquor OR ADULT HEMP BEVERAGES with any employee during the employee's  
19 working hours.

20 19. For an off-sale retailer or employee to sell spirituous liquor  
21 OR ADULT HEMP BEVERAGES except in the original unbroken container, to  
22 allow spirituous liquor OR ADULT HEMP BEVERAGES to be consumed on the  
23 premises or to knowingly allow spirituous liquor OR ADULT HEMP BEVERAGES  
24 to be consumed on adjacent property under the licensee's exclusive  
25 control.

26 20. For a person to consume spirituous liquor OR ADULT HEMP  
27 BEVERAGES in a public place, thoroughfare or gathering. The license of a  
28 licensee allowing a violation of this paragraph on the premises shall be  
29 subject to revocation. This paragraph does not apply to the sale of  
30 spirituous liquors OR ADULT HEMP BEVERAGES on the premises of and by an  
31 on-sale retailer. This paragraph also does not apply to a person  
32 consuming beer or wine from a broken package in a public recreation area  
33 or on private property with permission of the owner or lessor or on the  
34 walkways surrounding such private property or to a person consuming beer  
35 or wine from a broken package in a public recreation area as part of a  
36 special event or festival that is conducted under a license secured  
37 pursuant to section 4-203.02 or 4-203.03.

38 21. For a person to possess or to transport spirituous liquor OR  
39 ADULT HEMP BEVERAGES that is [PRODUCED.] manufactured in a distillery,  
40 winery, brewery or rectifying plant contrary to the laws of the United  
41 States and this state. Any property used in transporting such spirituous  
42 liquor OR ADULT HEMP BEVERAGES shall be forfeited to the state and shall  
43 be seized and disposed of as provided in section 4-221.

44 22. For an on-sale retailer or employee to allow a person under the  
45 legal drinking age to remain in an area on the licensed premises during  
46 those hours in which its primary use is the sale, dispensing or  
47 consumption of alcoholic beverages OR ADULT HEMP BEVERAGES after the

1 licensee, or the licensee's employees, know or should have known that the  
2 person is under the legal drinking age. An on-sale retailer may designate  
3 an area of the licensed premises as an area in which spirituous liquor ~~OR~~  
4 ~~ADULT HEMP BEVERAGES~~ will not be sold or consumed for the purpose of  
5 allowing underage persons on the premises if the designated area is  
6 separated by a physical barrier and at no time will underage persons have  
7 access to the area in which spirituous liquor ~~is~~ ~~OR ADULT HEMP BEVERAGES~~  
8 ~~ARE~~ sold or consumed. A licensee or an employee of a licensee may require  
9 a person who intends to enter a licensed premises or a portion of a  
10 licensed premises where persons under the legal drinking age are  
11 prohibited under this section to exhibit an instrument of identification  
12 that is acceptable under section 4-241 as a condition of entry or may use  
13 a biometric identity verification device to determine the person's age as  
14 a condition of entry. The director, or a municipality, may adopt rules to  
15 regulate the presence of underage persons on licensed premises provided  
16 the rules adopted by a municipality are more stringent than those adopted  
17 by the director. The rules adopted by the municipality shall be adopted  
18 by local ordinance and shall not interfere with the licensee's ability to  
19 comply with this paragraph. This paragraph does not apply:

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

23 (b) If the owner, lessee or occupant of the premises is a club as  
24 defined in section 4-101, paragraph ~~8-~~ 12, subdivision (a) and the person  
25 under the legal drinking age is any of the following:

26 (i) An active duty military service member.

27 (ii) A veteran.

28 (iii) A member of the United States army national guard or the  
29 United States air national guard.

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

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

33 23. For an on-sale retailer or employee to conduct drinking  
34 contests, to sell or deliver to a person an unlimited number of spirituous  
35 liquor beverages ~~OR ADULT HEMP BEVERAGES~~ during any set period of time for  
36 a fixed price, to deliver more than fifty ounces of beer, ~~TEN MILLIGRAMS~~  
37 ~~OF TOTAL TETRAHYDROCANNABINOL IN ADULT HEMP BEVERAGES~~, one liter of wine  
38 or four ounces of distilled spirits in any ~~spirituous liquor~~ drink to one  
39 person at one time for that person's consumption or to advertise any  
40 practice prohibited by this paragraph. This paragraph does not prohibit  
41 an on-sale retailer or employee from selling and delivering an opened,  
42 original container of distilled spirits if:

43 (a) Service or pouring of the spirituous liquor is provided by an  
44 employee of the on-sale retailer. A licensee shall not be charged for a  
45 violation of this paragraph if a customer, without the knowledge of the  
46 retailer, removes or tampers with a locking device on a bottle delivered  
47 to the customer for bottle service and the customer pours the customer's

1 own drink from the bottle, if when the licensee becomes aware of the  
2 removal or tampering of the locking device the licensee immediately  
3 installs a functioning locking device on the bottle or removes the bottle  
4 and lock from bottle service.

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

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

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

14 26. For a licensee or employee to knowingly allow unlawful gambling  
15 on the premises.

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

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

21 29. For any person other than a peace officer while on duty or off  
22 duty or a member of a sheriff's volunteer posse while on duty who has  
23 received firearms training that is approved by the Arizona peace officer  
24 standards and training board, a retired peace officer as defined in  
25 section 38-1113 or an honorably retired law enforcement officer who has  
26 been issued a certificate of firearms proficiency pursuant to section  
27 13-3112, subsection T, the licensee or an employee of the licensee acting  
28 with the permission of the licensee to be in possession of a firearm while  
29 on the licensed premises of an on-sale retailer. This paragraph does not  
30 include a situation in which a person is on licensed premises for a  
31 limited time in order to seek emergency aid and such person does not buy,  
32 receive, consume or possess spirituous liquor. This paragraph does not  
33 apply to:

34 (a) Hotel or motel guest room accommodations.

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

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

40 30. For a licensee or employee to knowingly allow a person in  
41 possession of a firearm other than a peace officer while on duty or off  
42 duty or a member of a sheriff's volunteer posse while on duty who has  
43 received firearms training that is approved by the Arizona peace officer  
44 standards and training board, a retired peace officer as defined in  
45 section 38-1113 or an honorably retired law enforcement officer who has  
46 been issued a certificate of firearms proficiency pursuant to section  
47 13-3112, subsection T, the licensee or an employee of the licensee acting

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

7 (a) Hotel or motel guest room accommodations.

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

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

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

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

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

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

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

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

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

41 (d) A bar or liquor store licensee that prepares a mixed cocktail  
42 or a restaurant licensee that leases the privilege to sell mixed cocktails  
43 for consumption off the licensed premises pursuant to section 4-203.06 or  
44 holds a permit pursuant to section 4-203.07 and section 4-205.02,  
45 subsection K and that prepares a mixed cocktail and transfers it to a  
46 clean container composed of a material approved by a national sanitation  
47 organization with a maximum capacity that does not exceed thirty-two

1 ounces and not for consumption on the premises if all of the following  
2 apply:

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

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

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

10 (iv) For a restaurant licensee licensed pursuant to section  
11 4-205.02, the sale of mixed cocktails for consumption off the licensed  
12 premises is accompanied by the sale of menu food items for consumption on  
13 or off the licensed premises.

14 33. For a person who is obviously intoxicated to buy or attempt to  
15 buy spirituous liquor OR ADULT HEMP BEVERAGES from a licensee or employee  
16 of a licensee or to consume spirituous liquor OR ADULT HEMP BEVERAGES on  
17 licensed premises.

18 34. For a person who is under twenty-one years of age to drive or  
19 be in physical control of a motor vehicle while there is any spirituous  
20 liquor OR ADULT HEMP BEVERAGES in the person's body.

21 35. For a person who is under twenty-one years of age to operate or  
22 be in physical control of a motorized watercraft that is underway while  
23 there is any spirituous liquor OR ADULT HEMP BEVERAGES in the person's  
24 body. For the purposes of this paragraph, "underway" has the same meaning  
25 prescribed in section 5-301.

26 36. For a licensee, manager, employee or controlling person to  
27 purposely induce a voter, by means of alcohol OR ADULT HEMP BEVERAGES, to  
28 vote or abstain from voting for or against a particular candidate or issue  
29 on an election day.

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

32 38. For a licensee to use a vending machine for the purpose of  
33 dispensing spirituous liquor OR ADULT HEMP BEVERAGES.

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

38 40. For a retailer to knowingly allow a customer to bring  
39 spirituous liquor OR ADULT HEMP BEVERAGES onto the licensed premises,  
40 except that an on-sale retailer may allow a wine and food club to bring  
41 wine onto the premises for consumption by the club's members and guests of  
42 the club's members in conjunction with meals purchased at a meeting of the  
43 club that is conducted on the premises and that at least seven members  
44 attend. An on-sale retailer that allows wine and food clubs to bring wine  
45 onto its premises under this paragraph shall comply with all applicable  
46 provisions of this title and any rules adopted pursuant to this title to  
47 the same extent as if the on-sale retailer had sold the wine to the

1 members of the club and their guests. For the purposes of this paragraph,  
2 "wine and food club" means an association that has more than twenty bona  
3 fide members paying at least \$6 per year in dues and that has been in  
4 existence for at least one year.

5 41. For a person who is under twenty-one years of age to have in  
6 the person's body any spirituous liquor OR ADULT HEMP BEVERAGES. In a  
7 prosecution for a violation of this paragraph:

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

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

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

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

20 (b) Sell, furnish, dispose of or give spirituous liquor OR ADULT  
21 HEMP BEVERAGES to a person who is under twenty-one years of age.

22 43. For a person to purchase, offer for sale or use any device,  
23 machine or process that mixes spirituous liquor OR ADULT HEMP BEVERAGES  
24 with pure oxygen or another gas to produce a vaporized product for the  
25 purpose of consumption by inhalation or to allow patrons to use any item  
26 for the consumption of vaporized spirituous liquor OR ADULT HEMP  
27 BEVERAGES.

28 44. For a retail licensee or an employee of a retail licensee to  
29 sell spirituous liquor OR ADULT HEMP BEVERAGES to a person if the retail  
30 licensee or employee knows the person intends to resell the spirituous  
31 liquor OR ADULT HEMP BEVERAGES.

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

38 46. For a direct shipment licensee, a farm winery licensee or an  
39 employee of those licensees to sell, dispose of, deliver or give  
40 spirituous liquor OR ADULT HEMP BEVERAGES to an individual purchaser  
41 between the hours of 2:00 a.m. and 6:00 a.m., except that a direct  
42 shipment licensee or a farm winery licensee may receive and process  
43 orders, accept payment, package, load or otherwise prepare wine for  
44 delivery at any time without complying with section 4-241, subsections A  
45 and K, if the actual deliveries to individual purchasers are made between  
46 the hours of 6:00 a.m. and 2:00 a.m. and in accordance with section

1 4-203.04 for direct shipment licensees and section 4-205.04 for farm  
2 winery licensees.

3 47. For a supplier to coerce or attempt to coerce a wholesaler to  
4 accept delivery of beer, ADULT HEMP BEVERAGES or any other commodity that  
5 has not been ordered by the wholesaler or for which the order was  
6 canceled. A supplier may impose reasonable inventory requirements on a  
7 wholesaler if the requirements are made in good faith and are generally  
8 applied to other similarly situated wholesalers that have an agreement  
9 with the supplier.

10 Sec. 47. Section 4-244.02, Arizona Revised Statutes, is amended to  
11 read:

12 4-244.02. Unlawful importation of spirituous liquor or adult  
13 hemp beverages; exceptions

14 A. It is unlawful for any person, ~~—~~ THAT IS not a qualified licensee  
15 under this title, ~~—~~ to import spirituous liquors OR ADULT HEMP BEVERAGES  
16 into this state from a foreign country unless:

17 1. Such person is the legal drinking age.

18 2. Such person has been physically within such foreign country  
19 immediately prior to such importation and such importation coincides with  
20 his return from such foreign country.

21 3. Except as provided in subsection B, the amount of spirituous  
22 liquor OR ADULT HEMP BEVERAGES imported does not exceed the amount  
23 permitted by federal law to be imported duty-free, in any period of  
24 thirty-one days, except that if the federal law prescribing such duty-free  
25 limitation is repealed or amended, then in no event shall the amount of  
26 duty-free importation into this state be more than one liter of spirituous  
27 liquor OR FORTY-EIGHT OUNCES OF ADULT HEMP BEVERAGES during such period.

28 B. To the extent permitted by federal law, a member of the Arizona  
29 national guard, the United States armed forces reserves or the armed  
30 forces of the United States may import more than one liter of spirituous  
31 liquor OR FORTY-EIGHT OUNCES OF ADULT HEMP BEVERAGES for personal use into  
32 this state if the importation coincides with that person's return from a  
33 tour of duty in a foreign country. A person who imports more spirituous  
34 liquor OR ADULT HEMP BEVERAGES pursuant to this subsection than the amount  
35 permitted by federal law to be imported duty-free shall be responsible for  
36 the payment of any federal taxes due on the quantity of spirituous liquor  
37 OR ADULT HEMP BEVERAGES that exceeds the duty-free amount. The department  
38 may issue letters of exemption to allow military personnel to import  
39 spirituous liquor OR ADULT HEMP BEVERAGES pursuant to this subsection.

40 Sec. 48. Section 4-244.05, Arizona Revised Statutes, is amended to  
41 read:

42 4-244.05. Unlicensed business establishment or premises;  
43 unlawful consumption of spirituous liquor or  
44 adult hemp beverages; civil penalty; seizure and  
45 forfeiture of property

46 A. A person owning, operating, leasing, managing or controlling a  
47 business establishment or business premises ~~which~~ THAT are not properly



1 licensed pursuant to this title and in which any of the following ~~occur~~  
2 OCCURS shall not allow the consumption of spirituous liquor OR ADULT HEMP  
3 BEVERAGES in the establishment or on the premises:

- 4 1. Food or beverages are sold.
- 5 2. Entertainment is provided.
- 6 3. A membership fee or a cover charge for admission is charged.
- 7 4. A minimum purchase or rental requirement for goods or services  
8 is charged.

9 B. A person shall not consume spirituous liquor OR ADULT HEMP  
10 BEVERAGES in a business establishment or on business premises ~~which~~ THAT  
11 are not properly licensed pursuant to this title in which food or  
12 beverages are sold, entertainment is provided, a membership fee or a cover  
13 charge for admission is charged or a minimum purchase or rental  
14 requirement for goods or services is charged.

15 C. In addition to or in lieu of other fines or civil penalties  
16 imposed for a violation of this section or any other action taken by the  
17 board or director, the board or director may conduct a hearing subject to  
18 the requirements of section 4-210, subsection G to determine whether a  
19 person has violated subsection A of this section. If the board or  
20 director determines, after a hearing, that a person has violated  
21 subsection A of this section the board or director may impose a civil  
22 penalty of not less than ~~two hundred nor~~ \$200 OR more than ~~five thousand~~  
23 ~~dollars~~ \$5,000 for each offense. A civil penalty imposed pursuant to this  
24 section by the director may be appealed to the board.

25 D. In addition to any other remedies provided by law, any monies  
26 used or obtained in violation of this chapter may be seized by any peace  
27 officer if the peace officer has probable cause to believe that the money  
28 has been used or is intended to be used in violation of this section.

29 E. In addition to any other remedies provided by law, the records  
30 of an establishment that is in violation of this section may be seized by  
31 any peace officer if the peace officer has probable cause to believe that  
32 the establishment is operating without a valid license issued pursuant to  
33 this title.

34 F. In addition to any other remedies provided by law, any amount of  
35 alcohol OR ADULT HEMP BEVERAGES may be seized by any peace officer if the  
36 peace officer has probable cause to believe that the alcohol OR ADULT HEMP  
37 BEVERAGES is being used or is intended to be used in violation of this  
38 section.

39 G. In addition to any other remedies provided by law, the following  
40 property shall be forfeited pursuant to section 13-2314 or title 13,  
41 chapter 39:

- 42 1. All proceeds and other assets that are derived from a violation  
43 of this section.
- 44 2. Anything of value that is used or intended to be used to  
45 facilitate a violation of this section.

1 H. A person who obtains property through a violation of this  
2 section is deemed to be an involuntary trustee of that property. An  
3 involuntary trustee and any other person who obtains the property, except  
4 a bona fide purchaser who purchases the property for value without notice  
5 of or participation in the unlawful conduct, holds the property, including  
6 its proceeds and other assets, in constructive trust for the benefit of  
7 the persons entitled to remedies pursuant to section 13-2314 or title 13,  
8 chapter 39.

9 I. The board or director may adopt rules authorizing and  
10 prescribing limitations for the possession or consumption of spirituous  
11 liquor OR ADULT HEMP BEVERAGES at establishments or premises falling  
12 within the scope of subsections A and B of this section. Rules adopted  
13 pursuant to this subsection shall authorize the possession or consumption  
14 of spirituous liquor OR ADULT HEMP BEVERAGES only at establishments or  
15 premises ~~which permit~~ THAT ALLOW the consumption or possession of minimal  
16 amounts of spirituous liquor OR ADULT HEMP BEVERAGES and ~~which~~ THAT meet  
17 both of the following criteria:

18 1. The possession or consumption of spirituous liquor OR ADULT HEMP  
19 BEVERAGES is ~~permitted~~ ALLOWED only as an incidental convenience to the  
20 customers of the establishment or premises.

21 2. The possession or consumption of spirituous liquor OR ADULT HEMP  
22 BEVERAGES is ~~permitted~~ ALLOWED only within the hours of lawful sale as  
23 prescribed in this title, and is limited to ~~no~~ NOT more than ten hours per  
24 day.

25 J. Any rules adopted pursuant to subsection I of this section shall  
26 prescribe:

27 1. The maximum ~~permitted~~ ALLOWED occupancy of an establishment or  
28 premises.

29 2. The hours during which spirituous liquor OR ADULT HEMP BEVERAGES  
30 may be possessed or consumed.

31 3. The amount of spirituous liquor OR ADULT HEMP BEVERAGES that a  
32 person may possess or consume.

33 4. That the director, the director's agents and any peace officer  
34 empowered to enforce ~~the provisions of~~ this title, in enforcing ~~the~~  
35 ~~provisions of~~ this title, may visit and inspect the establishment or  
36 premises during the business hours of the premises or establishment. The  
37 director may charge a fee for the inspection of unlicensed premises to  
38 review an application for exemption pursuant to this section.

39 K. Any rules adopted pursuant to subsection I of this section may  
40 prescribe separate classifications of establishments or premises at which  
41 spirituous liquor OR ADULT HEMP BEVERAGES may be possessed or consumed and  
42 may establish any other provisions relating to the possession or  
43 consumption of spirituous liquor OR ADULT HEMP BEVERAGES at establishments  
44 or premises falling within the scope of subsections A and B of this  
45 section ~~which~~ THAT are necessary to maintain the health and welfare of the  
46 community.

1 L. This section does not apply to establishments or premises that  
2 are not licensed pursuant to this title and on which occurs the  
3 consumption of spirituous liquor OR ADULT HEMP BEVERAGES if the  
4 establishment or premises are owned, operated, leased, managed or  
5 controlled by the United States, this state or a city or county of this  
6 state.

7 Sec. 49. Title 4, chapter 2, article 3, Arizona Revised Statutes,  
8 is amended by adding section 4-245, to read:

9 4-245. Adult hemp beverages; serving sizes; container;  
10 prohibitions

11 A. AN ADULT HEMP BEVERAGE CONTAINING A SINGLE SERVING OF AN ADULT  
12 HEMP BEVERAGE PER CONTAINER SHALL BE IN AN ADULT HEMP BEVERAGE  
13 SINGLE-SERVING CONTAINER. THE CONTAINER SHALL HAVE AN INTERNAL VOLUME OF  
14 AT LEAST TWO HUNDRED MILLILITERS OR 6.76 FLUID OUNCES AND MAY NOT HAVE A  
15 TOTAL TETRAHYDROCANNABINOL CONTENT OF MORE THAN TEN MILLIGRAMS OF TOTAL  
16 TETRAHYDROCANNABINOL PER CONTAINER [FOR SALE IN OFF-PREMISES LICENSED  
17 RETAIL ESTABLISHMENTS OR MORE THAN FIVE MILLIGRAMS OF TOTAL  
18 TETRAHYDROCANNABINOL PER CONTAINER FOR SALE IN ON-PREMISES LICENSED RETAIL  
19 ESTABLISHMENTS].

20 B. AN ADULT HEMP BEVERAGE CONTAINING MULTIPLE SERVINGS OF AN ADULT  
21 HEMP BEVERAGE PER CONTAINER SHALL BE IN AN ADULT HEMP BEVERAGES  
22 MULTIPLE-SERVING CONTAINER. THE MULTIPLE-SERVING CONTAINER SHALL HAVE AN  
23 INTERNAL VOLUME OF AT LEAST THREE HUNDRED SEVENTY FIVE MILLILITERS OR  
24 12.68 FLUID OUNCES AND MAY NOT HAVE A TETRAHYDROCANNABINOL CONTENT OF MORE  
25 THAN THIRTY MILLIGRAMS PER LITER OR 0.887 MILLIGRAMS PER FLUID OUNCES OF  
26 THE TOTAL VOLUME OF THE CONTAINER.

27 C. A PERSON MAY NOT PROCESS, DISTRIBUTE, SELL OR OFFER FOR SALE IN  
28 THIS STATE ANY ADULT HEMP BEVERAGES PRODUCT WITHOUT A LICENSE ISSUED  
29 PURSUANT TO THIS TITLE.

30 D. A PERSON MAY NOT PROCESS, DISTRIBUTE, SELL OR OFFER FOR SALE IN  
31 THIS STATE ANY ADULT HEMP BEVERAGE PRODUCT IN POWDERED FORM OR AS A  
32 CONCENTRATED TINCTURE FOR MIXING WITH WATER OR OTHER LIQUID.

33 E. A PERSON MAY NOT PROCESS, DISTRIBUTE, SELL OR OFFER FOR SALE IN  
34 THIS STATE ANY SPIRITUOUS LIQUOR PRODUCT CONTAINING ANY ADULT HEMP  
35 BEVERAGE OR CANNABINOID. THE COMBINING OF SPIRITUOUS LIQUORS AND ADULT  
36 HEMP BEVERAGES OR CANNABINOIDS BY A LICENSEE OR AN EMPLOYEE OF A LICENSEE  
37 IS PROHIBITED.

38 F. A PRODUCER MAY NOT USE ANY DISTILLATE OR CONCENTRATE CONTAINING  
39 ANY DERIVATIVE OF A TETRAHYDROCANNABINOL COMPONENT THAT IS NOT  
40 HEMP-DERIVED TETRAHYDROCANNABINOL.

41 ~~<<Sec. 48. Heading change~~

42 ~~The heading to title 4, chapter 2, article 4, Arizona Revised~~  
43 ~~Statutes, is changed from "WARNING SIGNS" to "SIGNS".>>~~

1       Sec. 50. Section 4-250.01, Arizona Revised Statutes, is amended to  
2 read:

3       4-250.01. Out-of-state person engaged in business as  
4               producer, exporter, importer, rectifier, retailer  
5               or wholesaler; violation; cease and desist order;  
6               civil penalty

7       A. An out-of-state person engaged in business in this state as a  
8 producer, exporter, importer, rectifier, retailer or wholesaler OF  
9 SPIRITUOUS LIQUOR OR ADULT HEMP BEVERAGES without a license issued under  
10 this title shall comply with this title as if licensed by this state. An  
11 out-of-state person engaged in business in this state as a producer,  
12 exporter, importer, rectifier, retailer or wholesaler shall be deemed to  
13 have consented to the jurisdiction of the department, any other agency of  
14 this state, the courts of this state and all other related laws, rules or  
15 regulations. An out-of-state person engaged in business in this state as  
16 a producer, exporter, importer, rectifier, retailer or wholesaler OF  
17 SPIRITUOUS LIQUOR OR ADULT HEMP BEVERAGES who violates this title is  
18 subject to a fine or a civil penalty and suspension or revocation of the  
19 right to do business in this state.

20       B. If the director has reasonable cause to believe that an  
21 out-of-state person engaged in business as a producer, exporter, importer,  
22 rectifier, retailer or wholesaler OF SPIRITUOUS LIQUOR OR ADULT HEMP  
23 BEVERAGES is acting in violation of this title, the director may serve a  
24 cease and desist order requiring the person to cease and desist the  
25 violation.

26       C. If an out-of-state person who is engaged in business in this  
27 state as a producer, exporter, importer, rectifier, retailer or wholesaler  
28 OF SPIRITUOUS LIQUOR OR ADULT HEMP BEVERAGES knowingly violates a cease  
29 and desist order issued by the director pursuant to subsection B of this  
30 section, the director may:

31       1. Impose a civil penalty of up to ~~one hundred fifty thousand~~  
32 ~~dollars~~ \$150,000 for each violation.

33       2. Notify the department of revenue of the violation for the  
34 purposes of collection of any transaction privilege tax or luxury  
35 privilege tax due.

36       3. Notify the applicable agency or regulatory body in the state in  
37 which the person is licensed of the violation.

38       4. Give notice of the violation to the producers, exporters,  
39 importers, rectifiers, retailers, wholesalers, common carriers and  
40 consumers connected to the transaction if the out-of-state person has  
41 shipped liquor OR ADULT HEMP BEVERAGES into the state in violation of this  
42 title.

1       Sec. 51. Section 4-251, Arizona Revised Statutes, is amended to  
2 read:

3       4-251. Spirituos liquor or adult hemp beverages in motor  
4           vehicles; prohibitions; violation; classification;  
5           exceptions; definitions

6       A. It is unlawful for any person to:

7       1. Consume spirituous liquor OR ADULT HEMP BEVERAGES while  
8 operating or while within the passenger compartment of a motor vehicle  
9 that is located on any public highway or right-of-way of a public highway  
10 in this state.

11       2. Possess an open container of spirituous liquor OR ADULT HEMP  
12 BEVERAGES within the passenger compartment of a motor vehicle that is  
13 located on any public highway or right-of-way of a public highway in this  
14 state.

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

17       C. This section does not apply to:

18       1. A passenger in any bus, limousine, taxi or transportation  
19 network company vehicle as defined in section 28-9551 while the vehicle is  
20 being used to provide transportation network services as defined in  
21 section 28-9551.

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

24       D. For the purposes of this section:

25       1. "Motor vehicle":

26       (a) Means a self-propelled vehicle.

27       (b) Does not include a vehicle operated exclusively on rails or  
28 water.

29       2. "Open container" means any bottle, can, jar, container dispensed  
30 pursuant to section 4-244, paragraph 32, subdivision (c) or other  
31 receptacle that contains spirituous liquor OR ADULT HEMP BEVERAGES and  
32 that has been opened, has had its seal broken or the contents of which  
33 have been partially removed.

34       3. "Passenger compartment" means the area of a motor vehicle  
35 designed for the seating of the driver and other passengers of the  
36 vehicle. Passenger compartment includes an unlocked glove compartment and  
37 any unlocked portable devices within the immediate reach of the driver or  
38 any passengers. Passenger compartment does not include the trunk, a  
39 locked glove compartment or the area behind the last upright seat of a  
40 motor vehicle that is not equipped with a trunk.

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

1 <<Sec. 52. Heading change  
2 [The heading of title 4, chapter 2, article 4, Arizona Revised  
3 Statutes, is changed from "WARNING SIGNS" to "SIGNS".>>

4 Sec. 53. Section 4-301, Arizona Revised Statutes, is amended to  
5 read:

6 4-301. Liability limitation; social host

7 A person other than a licensee or an employee of a licensee acting  
8 during the employee's working hours or in connection with such employment  
9 is not liable in damages to any person who is injured, or to the survivors  
10 of any person killed, or for damage to property, which is alleged to have  
11 been caused in whole or in part by reason of the furnishing or serving of  
12 spirituous liquor OR ADULT HEMP BEVERAGES to a person of AT LEAST the  
13 legal drinking age.

14 Sec. 54. Section 4-302, Arizona Revised Statutes, is amended to  
15 read:

16 4-302. Notice of litigation

17 A. A person filing a claim for relief seeking damages from a  
18 licensee and alleging that a person was injured or damage occurred which  
19 was caused in whole or in part by reason of the furnishing or serving of  
20 spirituous liquor OR ADULT HEMP BEVERAGES by the licensee or an employee  
21 of the licensee to any person shall file a copy of the complaint with the  
22 department within ten days after filing the complaint.

23 B. A licensee who has been served with a complaint alleging the  
24 provisions of subsection A shall file a copy of the complaint with the  
25 department within ten days after the service.

26 C. A licensee or controlling person who files a petition in  
27 bankruptcy shall file notice of the petition with the department within  
28 ten days after the filing or entry and shall advise the department within  
29 ten days of a dismissal or discharge by any means.

30 D. A licensee or controlling person who files a bankruptcy  
31 dismissal or discharge shall file notice of the dismissal or discharge  
32 with the department within ten days after the filing.

33 Sec. 55. Section 4-311, Arizona Revised Statutes, is amended to  
34 read:

35 4-311. Liability for serving intoxicated person or minor;  
36 definition

37 A. A licensee is liable for property damage and personal injuries  
38 or is liable to a person who may bring an action for wrongful death  
39 pursuant to section 12-612, or both, if a court or jury finds all of the  
40 following:

41 1. The licensee sold spirituous liquor OR ADULT HEMP BEVERAGES  
42 either to a purchaser who was obviously intoxicated, or to a purchaser  
43 under the legal drinking age without requesting identification containing  
44 proof of age or with knowledge that the person was under the legal  
45 drinking age.

46 2. The purchaser consumed the spirituous liquor OR ADULT HEMP  
47 BEVERAGES sold by the licensee.

1           3. The consumption of spirituous liquor OR ADULT HEMP BEVERAGES was  
2 a proximate cause of the injury, death or property damage.

3           B. No licensee is chargeable with knowledge of previous acts by  
4 which a person becomes intoxicated at other locations unknown to the  
5 licensee unless the person was obviously intoxicated. If the licensee  
6 operates under a restaurant license, the finder of fact shall not consider  
7 any information obtained as a result of a restaurant audit conducted  
8 pursuant to section 4-213 unless the court finds the information relevant.

9           C. For the purposes of subsection A, paragraph 2 of this section,  
10 if it is found that an underage person purchased spirituous liquor OR  
11 ADULT HEMP BEVERAGES from a licensee and such underage person incurs or  
12 causes injuries or property damage as a result of the consumption of  
13 spirituous liquor OR ADULT HEMP BEVERAGES within a reasonable period of  
14 time following the sale of the spirituous liquor OR ADULT HEMP BEVERAGES,  
15 it shall create a rebuttable presumption that the underage person consumed  
16 the spirituous liquor OR ADULT HEMP BEVERAGES sold to such person by the  
17 licensee.

18           D. For the purposes of this section, "obviously intoxicated" means  
19 inebriated to such an extent that a person's physical faculties are  
20 substantially impaired and the impairment is shown by significantly  
21 uncoordinated physical action or significant physical dysfunction that  
22 would have been obvious to a reasonable person.

23           Sec. 56. Section 4-312, Arizona Revised Statutes, is amended to  
24 read:

25           4-312. Liability limitation

26           A. A licensee is not liable in damages to any consumer or purchaser  
27 of spirituous liquor OR ADULT HEMP BEVERAGES over the legal drinking age  
28 who is injured or whose property is damaged, or to survivors of such a  
29 person, if the injury or damage is alleged to have been caused in whole or  
30 in part by reason of the sale, furnishing or serving of spirituous liquor  
31 OR ADULT HEMP BEVERAGES to that person. A licensee is not liable in  
32 damages to any other adult person who is injured or whose property is  
33 damaged, or to the survivors of such a person, who was present with the  
34 person who consumed the spirituous liquor OR ADULT HEMP BEVERAGES at the  
35 time the spirituous liquor ~~was~~ OR ADULT HEMP BEVERAGES WERE consumed and  
36 who knew of the impaired condition of the person, if the injury or damage  
37 is alleged to have been caused in whole or in part by reason of the sale,  
38 furnishing or serving of spirituous liquor OR ADULT HEMP BEVERAGES.

39           B. Subject to ~~the provisions of~~ subsection A of this section and  
40 except as provided in section 4-311, a person, firm, corporation or  
41 licensee is not liable in damages to any person who is injured, or to the  
42 survivors of any person killed, or for damage to property ~~which~~ THAT is  
43 alleged to have been caused in whole or in part by reason of the sale,  
44 furnishing or serving of spirituous liquor OR ADULT HEMP BEVERAGES.



1       Sec. 57. Section 36-136, Arizona Revised Statutes, is amended to  
2 read:

3       36-136. Powers and duties of director; compensation of  
4       personnel; rules; definitions

5       A. The director shall:

6       1. Be the executive officer of the department of health services  
7 and the state registrar of vital statistics but shall not receive  
8 compensation for services as registrar.

9       2. Perform all duties necessary to carry out the functions and  
10 responsibilities of the department.

11       3. Prescribe the organization of the department. The director  
12 shall appoint or remove personnel as necessary for the efficient work of  
13 the department and shall prescribe the duties of all personnel. The  
14 director may abolish any office or position in the department that the  
15 director believes is unnecessary.

16       4. Administer and enforce the laws relating to health and  
17 sanitation and the rules of the department.

18       5. Provide for the examination of any premises if the director has  
19 reasonable cause to believe that on the premises there exists a violation  
20 of any health law or rule of this state.

21       6. Exercise general supervision over all matters relating to  
22 sanitation and health throughout this state. When in the opinion of the  
23 director it is necessary or advisable, a sanitary survey of the whole or  
24 of any part of this state shall be made. The director may enter, examine  
25 and survey any source and means of water supply, sewage disposal plant,  
26 sewerage system, prison, public or private place of detention, asylum,  
27 hospital, school, public building, private institution, factory, workshop,  
28 tenement, public washroom, public restroom, public toilet and toilet  
29 facility, public eating room and restaurant, dairy, milk plant or food  
30 manufacturing or processing plant, and any premises in which the director  
31 has reason to believe there exists a violation of any health law or rule  
32 of this state that the director has the duty to administer.

33       7. Prepare sanitary and public health rules.

34       8. Perform other duties prescribed by law.

35       B. If the director has reasonable cause to believe that there  
36 exists a violation of any health law or rule of this state, the director  
37 may inspect any person or property in transportation through this state,  
38 and any car, boat, train, trailer, airplane or other vehicle in which that  
39 person or property is transported, and may enforce detention or  
40 disinfection as reasonably necessary for the public health if there exists  
41 a violation of any health law or rule.

42       C. The director, after consultation with the department of  
43 administration, may take all necessary steps to enhance the highest and  
44 best use of the state hospital property, including contracting with third  
45 parties to provide services, entering into short-term lease agreements  
46 with third parties to occupy or renovate existing buildings and entering  
47 into long-term lease agreements to develop the land and buildings. The

1 director shall deposit any monies collected from contracts and lease  
2 agreements entered into pursuant to this subsection in the Arizona state  
3 hospital charitable trust fund established by section 36-218. At least  
4 thirty days before issuing a request for proposals pursuant to this  
5 subsection, the department of health services shall hold a public hearing  
6 to receive community and provider input regarding the highest and best use  
7 of the state hospital property related to the request for proposals. The  
8 department shall report to the joint committee on capital review on the  
9 terms, conditions and purpose of any lease or sublease agreement entered  
10 into pursuant to this subsection relating to state hospital lands or  
11 buildings or the disposition of real property pursuant to this subsection,  
12 including state hospital lands or buildings, and the fiscal impact on the  
13 department and any revenues generated by the agreement. Any lease or  
14 sublease agreement entered into pursuant to this subsection relating to  
15 state hospital lands or buildings or the disposition of real property  
16 pursuant to this subsection, including state hospital lands or buildings,  
17 must be reviewed by the joint committee on capital review.

18 D. The director may deputize, in writing, any qualified officer or  
19 employee in the department to do or perform on the director's behalf any  
20 act the director is by law empowered to do or charged with the  
21 responsibility of doing.

22 E. The director may delegate to a local health department, county  
23 environmental department or public health services district any functions,  
24 powers or duties that the director believes can be competently,  
25 efficiently and properly performed by the local health department, county  
26 environmental department or public health services district if:

27 1. The director or superintendent of the local health department,  
28 environmental department or public health services district is willing to  
29 accept the delegation and agrees to perform or exercise the functions,  
30 powers and duties conferred in accordance with the standards of  
31 performance established by the director of the department of health  
32 services.

33 2. Monies appropriated or otherwise made available to the  
34 department for distribution to or division among counties or public health  
35 services districts for local health work may be allocated or reallocated  
36 in a manner designed to ensure the accomplishment of recognized local  
37 public health activities and delegated functions, powers and duties in  
38 accordance with applicable standards of performance. If in the director's  
39 opinion there is cause, the director may terminate all or a part of any  
40 delegation and may reallocate all or a part of any monies that may have  
41 been conditioned on the further performance of the functions, powers or  
42 duties conferred.

43 F. The compensation of all personnel shall be as determined  
44 pursuant to section 38-611.

45 G. The director may make and amend rules necessary for the proper  
46 administration and enforcement of the laws relating to the public health.

1           H. Notwithstanding subsection I, paragraph 1 of this section, the  
2 director may define and prescribe emergency measures for detecting,  
3 reporting, preventing and controlling communicable or infectious diseases  
4 or conditions if the director has reasonable cause to believe that a  
5 serious threat to public health and welfare exists. Emergency measures are  
6 effective for not longer than eighteen months.

7           I. The director, by rule, shall:

8           1. Define and prescribe reasonably necessary measures for  
9 detecting, reporting, preventing and controlling communicable and  
10 preventable diseases. The rules shall declare certain diseases that are  
11 reportable. The rules shall prescribe measures, including isolation or  
12 quarantine, that are reasonably required to prevent the occurrence of, or  
13 to seek early detection and alleviation of, disability, insofar as  
14 possible, from communicable or preventable diseases. The rules shall  
15 include reasonably necessary measures to control animal diseases that are  
16 transmittable to humans.

17          2. Define and prescribe reasonably necessary measures, in addition  
18 to those prescribed by law, regarding the preparation, embalming,  
19 cremation, interment, disinterment and transportation of dead human bodies  
20 and the conduct of funerals, relating to and restricted to communicable  
21 diseases and regarding the removal, transportation, cremation, interment  
22 or disinterment of any dead human body.

23          3. Define and prescribe reasonably necessary procedures that are  
24 not inconsistent with law in regard to the use and accessibility of vital  
25 records, delayed birth registration and the completion, change and  
26 amendment of vital records.

27          4. Except as relating to the beneficial use of wildlife meat by  
28 public institutions and charitable organizations pursuant to title 17,  
29 prescribe reasonably necessary measures to ensure that all food or drink,  
30 including meat and meat products and milk and milk products sold at the  
31 retail level, provided for human consumption is free from unwholesome,  
32 poisonous or other foreign substances and filth, insects or  
33 disease-causing organisms. The rules shall prescribe reasonably necessary  
34 measures governing the production, processing, labeling, storing,  
35 handling, serving and transportation of these products. The rules shall  
36 prescribe minimum standards for the sanitary facilities and conditions  
37 that shall be maintained in any warehouse, restaurant or other premises,  
38 except a meatpacking plant, slaughterhouse, wholesale meat processing  
39 plant, dairy product manufacturing plant or trade product manufacturing  
40 plant. The rules shall prescribe minimum standards for any truck or other  
41 vehicle in which food or drink is produced, processed, stored, handled,  
42 served or transported. The rules shall provide for the inspection and  
43 licensing of premises and vehicles so used, and for abatement as public  
44 nuisances of any premises or vehicles that do not comply with the rules  
45 and minimum standards. The rules shall provide an exemption relating to  
46 food or drink that is:

47           (a) Served at a noncommercial social event such as a potluck.

1 (b) Prepared at a cooking school that is conducted in an  
2 owner-occupied home.

3 (c) Not potentially hazardous and prepared in a kitchen of a  
4 private home for sale or distribution for noncommercial purposes.

5 (d) Prepared or served at an employee-conducted function that lasts  
6 less than four hours and is not regularly scheduled, such as an employee  
7 recognition, an employee fundraising or an employee social event.

8 (e) Offered at a child care facility and limited to commercially  
9 prepackaged food that is not potentially hazardous and whole fruits and  
10 vegetables that are washed and cut on-site for immediate consumption.

11 (f) Offered at locations that sell only commercially prepackaged  
12 food or drink that is not potentially hazardous.

13 (g) A cottage food product that is prepared in a kitchen of a  
14 private home for commercial purposes consistent with chapter 8, article 2  
15 of this title.

16 (h) A whole fruit or vegetable grown in a public school garden that  
17 is washed and cut on-site for immediate consumption.

18 (i) Produce in a packing or holding facility that is subject to the  
19 United States food and drug administration produce safety rule (21 Code of  
20 Federal Regulations part 112) as administered by the Arizona department of  
21 agriculture pursuant to title 3, chapter 3, article 4.1. For the purposes  
22 of this subdivision, "holding", "packing" and "produce" have the same  
23 meanings prescribed in section 3-525.

24 (j) Spirituous liquor ~~[OR ADULT HEMP BEVERAGES]~~ produced ~~on the~~  
25 ~~premises~~ ~~[OR ADULT HEMP BEVERAGES MANUFACTURED]~~ BY A PRODUCER OR CRAFT  
26 PRODUCER OR ~~[MANUFACTURER]~~ ~~[MANUFACTURED]~~ BY AN ADULT HEMP BEVERAGES  
27 MANUFACTURER licensed by the department of liquor licenses and control.  
28 This exemption includes both of the following:

29 (i) The area in which production and manufacturing of spirituous  
30 liquor OR ADULT HEMP BEVERAGES occurs, ~~as defined in an active basic~~  
31 ~~permit on file with the United States alcohol and tobacco tax and trade~~  
32 ~~bureau.~~

33 (ii) The area licensed by the department of liquor licenses and  
34 control as a ~~microbrewery, farm winery or craft distiller~~ PRODUCER, CRAFT  
35 PRODUCER OR ADULT HEMP BEVERAGES MANUFACTURER that is open to the public  
36 and serves spirituous liquor OR ADULT HEMP BEVERAGES and commercially  
37 prepackaged food, crackers or pretzels for consumption on the premises. A  
38 producer of spirituous liquor OR ADULT HEMP BEVERAGES may not provide,  
39 allow or expose for common use any cup, glass or other receptacle used for  
40 drinking purposes. For the purposes of this item, "common use" means the  
41 use of a drinking receptacle for drinking purposes by or for more than one  
42 person without the receptacle being thoroughly cleansed and sanitized  
43 between consecutive uses by methods prescribed by or acceptable to the  
44 department.

45 (k) Spirituous liquor produced by a producer that is licensed by  
46 the department of liquor licenses and control or spirituous liquor  
47 imported and sold by ~~wholesalers~~ A WHOLESALER that is licensed by the

1 department of liquor licenses and control. This exemption includes all  
2 commercially prepackaged spirituous liquor and all spirituous liquor  
3 poured at a licensed special event, festival or fair in this state.

4 (1) AN ADULT HEMP BEVERAGE OR FOOD OR DRINKS CONTAINING ADULT HEMP  
5 BEVERAGE PRODUCTS THAT ARE MANUFACTURED OR SOLD ON PREMISES THAT ARE  
6 LICENSED PURSUANT TO TITLE 4.

7 5. Prescribe reasonably necessary measures to ensure that all meat  
8 and meat products for human consumption handled at the retail level are  
9 delivered in a manner and from sources approved by the Arizona department  
10 of agriculture and are free from unwholesome, poisonous or other foreign  
11 substances and filth, insects or disease-causing organisms. The rules  
12 shall prescribe standards for sanitary facilities to be used in  
13 identifying, storing, handling and selling all meat and meat products sold  
14 at the retail level.

15 6. Prescribe reasonably necessary measures regarding production,  
16 processing, labeling, handling, serving and transportation of bottled  
17 water to ensure that all bottled drinking water distributed for human  
18 consumption is free from unwholesome, poisonous, deleterious or other  
19 foreign substances and filth or disease-causing organisms. The rules  
20 shall prescribe minimum standards for the sanitary facilities and  
21 conditions that shall be maintained at any source of water, bottling plant  
22 and truck or vehicle in which bottled water is produced, processed, stored  
23 or transported and shall provide for inspection and certification of  
24 bottled drinking water sources, plants, processes and transportation and  
25 for abatement as a public nuisance of any water supply, label, premises,  
26 equipment, process or vehicle that does not comply with the minimum  
27 standards. The rules shall prescribe minimum standards for  
28 bacteriological, physical and chemical quality for bottled water and for  
29 submitting samples at intervals prescribed in the standards.

30 7. Define and prescribe reasonably necessary measures governing ice  
31 production, handling, storing and distribution to ensure that all ice sold  
32 or distributed for human consumption or for preserving or storing food for  
33 human consumption is free from unwholesome, poisonous, deleterious or  
34 other foreign substances and filth or disease-causing organisms. The  
35 rules shall prescribe minimum standards for the sanitary facilities and  
36 conditions and the quality of ice that shall be maintained at any ice  
37 plant, storage and truck or vehicle in which ice is produced, stored,  
38 handled or transported and shall provide for inspection and licensing of  
39 the premises and vehicles, and for abatement as public nuisances of ice,  
40 premises, equipment, processes or vehicles that do not comply with the  
41 minimum standards.

42 8. Define and prescribe reasonably necessary measures concerning  
43 sewage and excreta disposal, garbage and trash collection, storage and  
44 disposal, and water supply for recreational and summer camps, campgrounds,  
45 motels, tourist courts, trailer coach parks and hotels. The rules shall  
46 prescribe minimum standards for preparing food in community kitchens,  
47 adequacy of excreta disposal, garbage and trash collection, storage and

1 disposal and water supply for recreational and summer camps, campgrounds,  
2 motels, tourist courts, trailer coach parks and hotels and shall provide  
3 for inspection of these premises and for abatement as public nuisances of  
4 any premises or facilities that do not comply with the rules. Primitive  
5 camp and picnic grounds offered by this state or a political subdivision  
6 of this state are exempt from rules adopted pursuant to this paragraph but  
7 are subject to approval by a county health department under sanitary  
8 regulations adopted pursuant to section 36-183.02. Rules adopted pursuant  
9 to this paragraph do not apply to two or fewer recreational vehicles as  
10 defined in section 33-2102 that are not park models or park trailers, that  
11 are parked on owner-occupied residential property for less than sixty days  
12 and for which no rent or other compensation is paid. For the purposes of  
13 this paragraph, "primitive camp and picnic grounds" means camp and picnic  
14 grounds that are remote in nature and without accessibility to public  
15 infrastructure such as water, electricity and sewer.

16         9. Define and prescribe reasonably necessary measures concerning  
17 the sewage and excreta disposal, garbage and trash collection, storage and  
18 disposal, water supply and food preparation of all public schools. The  
19 rules shall prescribe minimum standards for sanitary conditions that shall  
20 be maintained in any public school and shall provide for inspection of  
21 these premises and facilities and for abatement as public nuisances of any  
22 premises that do not comply with the minimum standards.

23         10. Prescribe reasonably necessary measures to prevent pollution of  
24 water used in public or semipublic swimming pools and bathing places and  
25 to prevent deleterious health conditions at these places. The rules shall  
26 prescribe minimum standards for sanitary conditions that shall be  
27 maintained at any public or semipublic swimming pool or bathing place and  
28 shall provide for inspection of these premises and for abatement as public  
29 nuisances of any premises and facilities that do not comply with the  
30 minimum standards. The rules shall be developed in cooperation with the  
31 director of the department of environmental quality and shall be  
32 consistent with the rules adopted by the director of the department of  
33 environmental quality pursuant to section 49-104, subsection B,  
34 paragraph 12.

35         11. Prescribe reasonably necessary measures to keep confidential  
36 information relating to diagnostic findings and treatment of patients, as  
37 well as information relating to contacts, suspects and associates of  
38 communicable disease patients. Confidential information may not be made  
39 available for political or commercial purposes.

40         12. Prescribe reasonably necessary measures regarding human  
41 immunodeficiency virus testing as a means to control the transmission of  
42 that virus, including the designation of anonymous test sites as dictated  
43 by current epidemiologic and scientific evidence.

44         13. Establish an online registry of food preparers that are  
45 authorized to prepare cottage food products for commercial purposes  
46 pursuant to paragraph 4 of this subsection and chapter 8, article 2 of  
47 this title. A registered food preparer shall renew the registration every

1 three years and shall provide to the department updated registration  
2 information within thirty days after any change.

3 14. Prescribe an exclusion for fetal demise cases from the  
4 standardized survey known as "the hospital consumer assessment of  
5 healthcare providers and systems".

6 J. The rules adopted under the authority conferred by this section  
7 shall be observed throughout this state and shall be enforced by each  
8 local board of health or public health services district, but this section  
9 does not limit the right of any local board of health or county board of  
10 supervisors to adopt ordinances and rules as authorized by law within its  
11 jurisdiction if the ordinances and rules do not conflict with state law  
12 and are equal to or more restrictive than the rules of the director.

13 K. The powers and duties prescribed by this section do not apply in  
14 instances in which regulatory powers and duties relating to public health  
15 are vested by the legislature in any other state board, commission, agency  
16 or instrumentality, except that with regard to the regulation of meat and  
17 meat products, the department of health services and the Arizona  
18 department of agriculture within the area delegated to each shall adopt  
19 rules that are not in conflict.

20 L. The director, in establishing fees authorized by this section,  
21 shall comply with title 41, chapter 6. The department shall not set a fee  
22 at more than the department's cost of providing the service for which the  
23 fee is charged. State agencies are exempt from all fees imposed pursuant  
24 to this section.

25 M. After consultation with the state superintendent of public  
26 instruction, the director shall prescribe the criteria the department  
27 shall use in deciding whether or not to notify a local school district  
28 that a pupil in the district has tested positive for the human  
29 immunodeficiency virus antibody. The director shall prescribe the  
30 procedure by which the department shall notify a school district if,  
31 pursuant to these criteria, the department determines that notification is  
32 warranted in a particular situation. This procedure shall include a  
33 requirement that before notification the department shall determine to its  
34 satisfaction that the district has an appropriate policy relating to  
35 nondiscrimination of the infected pupil and confidentiality of test  
36 results and that proper educational counseling has been or will be  
37 provided to staff and pupils.

38 N. Until the department adopts exemptions by rule as required by  
39 subsection I, paragraph 4, subdivision (f) of this section, food and drink  
40 are exempt from the rules prescribed in subsection I of this section if  
41 offered at locations that sell only commercially prepackaged food or drink  
42 that is not potentially hazardous, without a limitation on its display  
43 area.

44 O. Until the department adopts exemptions by rule as required by  
45 subsection I, paragraph 4, subdivision (h) of this section, a whole fruit  
46 or vegetable grown in a public school garden that is washed and cut



1 on-site for immediate consumption is exempt from the rules prescribed in  
2 subsection I of this section.

3 P. Until the department adopts an exclusion by rule as required by  
4 subsection I, paragraph 14 of this section, the standardized survey known  
5 as "the hospital consumer assessment of healthcare providers and systems"  
6 may not include patients who experience a fetal demise.

7 Q. Until the department adopts exemptions by rule as required by  
8 subsection I, paragraph 4, subdivision (j) of this section, spirituous  
9 liquor and commercially prepackaged food, crackers or pretzels that meet  
10 the requirements of subsection I, paragraph 4, subdivision (j) of this  
11 section are exempt from the rules prescribed in subsection I of this  
12 section.

13 R. For the purposes of this section:

14 1. "Cottage food product" has the same meaning prescribed in  
15 section 36-931.

16 2. "Fetal demise" means a fetal death that occurs or is confirmed  
17 in a licensed hospital. Fetal demise does not include an abortion as  
18 defined in section 36-2151.

19 Sec. 58. Section 42-3001, Arizona Revised Statutes, is amended to  
20 read:

21 ~~42-3001.~~ Definitions

22 In this chapter, unless the context otherwise requires:

23 1. "ADULT HEMP BEVERAGES" HAS THE SAME MEANING PRESCRIBED IN  
24 SECTION 4-101.

25 ~~1-~~ 2. "Affix" and "affixed" include imprinting tax meter stamps on  
26 packages and individual containers as authorized by the department.

27 ~~2-~~ 3. "Brand family" has the same meaning prescribed in section  
28 44-7111.

29 ~~3-~~ 4. "Cavendish" means a tobacco product that is smoked from a  
30 pipe and that meets one of the following criteria:

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

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

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

38 ~~4-~~ 5. "Cider" means vinous liquor that is made from the normal  
39 alcoholic fermentation of the juice of sound, ripe apples, pears or other  
40 pome fruit, including flavored, sparkling and carbonated cider and cider  
41 made from condensed apple, pear or other pome fruit must, and that  
42 contains more than one-half of one percent of alcohol by volume but not  
43 more than seven percent of alcohol by volume.

44 ~~5-~~ 6. "Cigar" means any roll of tobacco wrapped in leaf tobacco or  
45 in any substance containing tobacco other than any roll of tobacco that is  
46 a cigarette, as defined in paragraph ~~6-~~ 7, subdivision (b) of this  
47 section.

1       ~~6-~~ 7. "Cigarette" means either of the following:  
2       (a) Any roll of tobacco wrapped in paper or any substance not  
3 containing tobacco.  
4       (b) Any roll of tobacco wrapped in any substance containing tobacco  
5 that, because of its appearance, the type of tobacco used in the filler or  
6 its packaging and labeling, is likely to be offered to or purchased by a  
7 consumer as a cigarette described in subdivision (a) of this paragraph.  
8 This subdivision shall be interpreted consistently with the classification  
9 guidelines established by the federal alcohol and tobacco tax and trade  
10 bureau.  
11       ~~7-~~ 8. "Consumer" means a person in this state that comes into  
12 possession of any luxury subject to the tax imposed by this chapter and  
13 that, on coming into possession of the luxury, is not a distributor  
14 intending to sell or distribute the luxury, a retailer or a wholesaler.  
15       ~~8-~~ 9. "Craft distiller" means a distiller in the United States or  
16 in a territory or possession of the United States that holds a license  
17 pursuant to section 4-205.10.  
18       ~~9-~~ 10. "Distributor" means any person that manufactures, produces,  
19 ships, transports or imports into this state or in any manner acquires or  
20 possesses for the purpose of making the first sale of the following:  
21       (a) Cigarettes without Arizona tax stamps affixed as required by  
22 this article.  
23       (b) Roll-your-own tobacco or other tobacco products on which the  
24 taxes have not been paid as required by this chapter.  
25       ~~10-~~ 11. "Farm winery" has the same meaning prescribed in section  
26 4-101.  
27       ~~11-~~ 12. "First sale" means the initial sale or distribution in  
28 intrastate commerce or the initial use or consumption of cigarettes,  
29 roll-your-own tobacco or other tobacco products.  
30       ~~12-~~ 13. "Luxury" means any article, object or device on which a  
31 tax is imposed under this chapter.  
32       ~~13-~~ 14. "Malt liquor" means any liquid that contains more than  
33 one-half of one percent alcohol by volume and that is made by the process  
34 of fermentation and not distillation of hops or grains, but not including:  
35       (a) Liquids made by the process of distillation of such substances.  
36       (b) Medicines that are unsuitable for beverage purposes.  
37       ~~14-~~ 15. "Master settlement agreement" has the same meaning  
38 prescribed in section 44-7101.  
39       ~~15-~~ 16. "Microbrewery" has the same meaning prescribed in section  
40 4-101.  
41       ~~16-~~ 17. "Nonparticipating manufacturer" has the same meaning  
42 prescribed in section 44-7111.  
43       ~~17-~~ 18. "Other tobacco products" means tobacco products other than  
44 cigarettes and roll-your-own tobacco.  
45       ~~18-~~ 19. "Participating manufacturer" has the same meaning  
46 prescribed in section 44-7111.

1       ~~19.~~ 20. "Person" means any individual, firm, partnership, joint  
2 venture, association, corporation, municipal corporation, estate, trust,  
3 club, society or other group or combination acting as a unit, and the  
4 plural as well as the singular number.

5       ~~20.~~ 21. "Place of business":

6       (a) Means a building, facility site or location where an order is  
7 received or where tobacco products are sold, distributed or transferred.

8 ~~Place of business~~

9       (b) Does not include a vehicle.

10       22. "READY-TO-DRINK SPIRITS PRODUCT" MEANS DISTILLED SPIRITS AS  
11 DEFINED IN SECTION 4-101 THAT ARE MIXED WITH ANOTHER BEVERAGE THAT MAY  
12 CONTAIN FLAVORING OR COLORING MATERIALS AND OTHER INGREDIENTS, THAT DO NOT  
13 EXCEED TEN PERCENT ALCOHOL BY VOLUME, THAT ARE SEALED IN AN ORIGINAL  
14 CONTAINER OF NOT MORE THAN SIXTEEN OUNCES AND THAT ARE SOLD IN THE  
15 MANUFACTURER'S ORIGINAL PACKAGING.

16       ~~21.~~ 23. "Retailer" means any person that comes into possession of  
17 any luxury subject to the taxes imposed by this chapter for the purpose of  
18 selling it for consumption and not for resale.

19       ~~22.~~ 24. "Roll-your-own tobacco" means any tobacco that, because of  
20 its appearance, type, packaging or labeling, is suitable for use and  
21 likely to be offered to or purchased by consumers as tobacco for making  
22 cigarettes. This paragraph shall be interpreted consistently with the  
23 term as used in section 44-7101. This paragraph shall be interpreted  
24 consistently with the classification guidelines established by the federal  
25 alcohol and tobacco tax and trade bureau.

26       ~~23.~~ 25. "Smoking tobacco":

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

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

32       ~~24.~~ 26. "Spirituos liquor":

33       (a) Means any liquid that contains more than one-half of one  
34 percent alcohol by volume, that is produced by distillation of any  
35 fermented substance and that is used or prepared for use as a beverage.

36 ~~Spirituos liquor~~

37       (b) Does not include medicines that are unsuitable for beverage  
38 purposes.

39       ~~25.~~ 27. "Tobacco product manufacturer" has the same meaning  
40 prescribed in section 44-7101.

41       ~~26.~~ 28. "Tobacco products" means all luxuries included in section  
42 42-3052, paragraphs 5 through 9.

43       ~~27.~~ 29. "Vehicle" means a device in, on or by which a person or  
44 property is or may be transported or drawn on the roads of this state  
45 regardless of the means by which it is propelled or whether it runs on a  
46 track.

1       ~~28.~~ 30. "Vinous liquor":  
2       (a) Means any liquid that contains more than one-half of one  
3 percent alcohol by volume and that is made by the process of fermentation  
4 of grapes, berries, fruits, vegetables or other substances. ~~But~~  
5       (b) Does not include:  
6       ~~(a)~~ (i) Liquids in which hops or grains are used in the process of  
7 fermentation.  
8       ~~(b)~~ (ii) Liquids made by the process of distillation of hops or  
9 grains.  
10       ~~(c)~~ (iii) Medicines that are unsuitable for beverage purposes.  
11       ~~29.~~ 31. "Wholesaler" means a person that sells any spirituous,  
12 vinous or malt liquor OR ADULT HEMP BEVERAGES taxed under this chapter to  
13 retail dealers or for the purposes of resale only.  
14       Sec. 59. Section 42-3051, Arizona Revised Statutes, is amended to  
15 read:  
16       42-3051. Levy of tax  
17       In addition to all other taxes, there is levied and imposed and  
18 there shall be collected and deposited, pursuant to sections 35-146 and  
19 35-147, in the manner provided by this chapter, taxes on all spirituous,  
20 vinous and malt liquors, ON ALL ADULT HEMP BEVERAGES and on all  
21 cigarettes, cigars, smoking tobacco, plug tobacco, snuff and other forms  
22 of tobacco, for use as may be prescribed by law.  
23       Sec. 60. Section 42-3052, Arizona Revised Statutes, is amended to  
24 read:  
25       42-3052. Classifications of luxuries; rates of tax  
26       The taxes under this chapter are imposed at the following rates:  
27       1. On each sealed container of spirituous liquor, ~~at the rate of~~  
28 ~~three dollars~~ \$3 PER gallon and at a proportionate rate for any lesser or  
29 greater quantity than one gallon.  
30       2. On each container of vinous liquor, except cider, of which the  
31 alcoholic content is not greater than twenty-four ~~per cent~~ PERCENT by  
32 volume, ~~at the rate of eighty-four cents~~ \$.84 per gallon and at a  
33 proportionate rate for any lesser or greater quantity than one gallon.  
34       3. On each container of vinous liquor of which the alcoholic  
35 content is greater than twenty-four ~~per cent~~ PERCENT by volume, containing  
36 eight ounces or less, ~~twenty-five cents~~ \$.25, and for each eight ounces  
37 for containers containing more than eight ounces, ~~twenty-five cents~~ \$.25.  
38       4. On each gallon of malt liquor or cider, ~~sixteen cents~~ \$.16, and  
39 at a proportionate rate for any lesser or greater quantity than one  
40 gallon.  
41       5. On each cigarette, ~~nine-tenths cent~~ \$.009.  
42       6. On smoking tobacco, snuff, fine cut chewing tobacco, cut and  
43 granulated tobacco, shorts and refuse of fine cut chewing tobacco, and  
44 refuse, scraps, clippings, cuttings and sweepings of tobacco, excluding  
45 tobacco powder or tobacco products used exclusively for agricultural or  
46 horticultural purposes and unfit for human consumption, ~~two cents~~ \$.02 per  
47 ounce or major fraction of an ounce.

1           7. On all cavendish, plug or twist tobacco, ~~one-half cent~~ \$.005 per  
2 ounce or fractional part of an ounce.

3           8. On each twenty small cigars or fractional part weighing not more  
4 than three pounds per thousand, ~~four cents~~ \$.04.

5           9. On cigars of all descriptions except those included in paragraph  
6 8 of this section, made of tobacco or any tobacco substitute:

7           (a) If manufactured to retail at not more than ~~five cents~~ \$.05  
8 each, ~~two cents~~ \$.02 on each three cigars.

9           (b) If manufactured to retail at more than ~~five cents~~ \$.05 each,  
10 ~~two cents~~ \$.02 on each cigar.

11           10. ON EACH SEALED CONTAINER OF ADULT HEMP BEVERAGES, \$1.50 PER  
12 GALLON AND A PROPORTIONATE RATE FOR ANY LESSER OR GREATER QUANTITY THAN  
13 ONE GALLON.

14           11. ON EACH SEALED CONTAINER OF A READY-TO-DRINK SPIRITS PRODUCT,  
15 \$1.50 PER GALLON AND A PROPORTIONATE RATE FOR ANY LESSER OR GREATER  
16 QUANTITY THAN ONE GALLON.

17           Sec. 61. Section 42-3351, Arizona Revised Statutes, is amended to  
18 read:

19           42-3351. Bonds required of liquor and adult hemp beverages  
20 wholesalers; exemption

21           A. Every wholesaler of spirituous LIQUORS, vinous ~~and~~ LIQUORS, malt  
22 liquors, READY-TO-DRINK SPIRITS PRODUCTS AND ADULT HEMP BEVERAGES shall  
23 file with the department, in such form as the department prescribes, a  
24 bond or bonds, duly executed by the wholesaler as principal, and with a  
25 corporation duly authorized to execute and write bonds within the state as  
26 surety, payable to the state, and conditioned ~~upon~~ ON the payment of all  
27 taxes, penalties and other obligations of the wholesaler arising under  
28 this chapter.

29           B. The department shall fix the total amount of the bond or bonds  
30 required of the wholesaler and may increase or reduce the amount at any  
31 time. In fixing the total amount, the department shall require a bond or  
32 bonds equivalent in total amount to twice the wholesaler's estimated  
33 monthly tax, ascertained in such manner as the department deems proper.  
34 The total amount of the bond or bonds required of any wholesaler shall not  
35 be less than ~~two thousand dollars~~ \$2,000.

36           C. A wholesaler is exempt from the requirements of this section if  
37 the wholesaler has made timely payment of the taxes imposed by this  
38 chapter for the twenty-four consecutive months immediately preceding the  
39 current month.

40           Sec. 62. Section 42-3352, Arizona Revised Statutes, is amended to  
41 read:

42           42-3352. Reports of distillers, producers and manufacturers

43           A. Every distiller or manufacturer of distilled spirits, ~~and~~ vinous  
44 and malt liquors AND ADULT HEMP BEVERAGES that sells any of those products  
45 to wholesalers within this state shall maintain in its records a copy of  
46 the invoice of the sale, showing in detail:

47           1. The kind of liquor or ADULT HEMP beverage sold.

- 1           2. The quantities of each.
- 2           3. The size of the container and the weight of the contents.
- 3           4. The alcoholic content if required by section 42-3052.
- 4           5. The name of the person, firm or corporation to whom sold.
- 5           B. A distiller, **PRODUCER** or manufacturer shall make the invoices
- 6 required to be kept pursuant to subsection A of this section available to
- 7 the department on request.

8           Sec. 63. Section 42-3354, Arizona Revised Statutes, is amended to  
9 read:

10       42-3354. Return and payment by spirituous or vinous liquor  
11                               wholesalers

12           A. Every wholesaler of spirituous liquors selling spirituous  
13 liquors within ~~the~~ **THIS** state shall pay the tax under this chapter on all  
14 such liquor sold within ~~the~~ **THIS** state and add the amount of the tax to  
15 the sales price.

16           B. Every wholesaler of vinous liquors selling vinous liquors other  
17 than ciders ~~as defined in section 42-3001~~ within this state shall pay the  
18 tax under this chapter on all such liquors sold within this state and add  
19 the amount of tax to the sales price.

20           **C. EVERY WHOLESALER OF READY-TO-DRINK SPIRITS PRODUCTS SELLING**  
21 **READY-TO-DRINK SPIRITS PRODUCTS WITHIN THIS STATE SHALL PAY THE TAX UNDER**  
22 **THIS CHAPTER ON ALL SUCH PRODUCTS SOLD WITHIN THIS STATE AND ADD THE**  
23 **AMOUNT OF THE TAX TO THE SALES PRICE.**

24           ~~E.~~ **D.** The wholesaler shall pay the tax to the department monthly  
25 on or before the twentieth day of the month next succeeding the month in  
26 which the tax accrues.

27           ~~D.~~ **E.** On or before the date prescribed by subsection ~~E~~ **D** of this  
28 section, the wholesaler shall prepare a sworn return for the month in  
29 which the tax accrues in the form prescribed by the department, showing:

30           1. The amount of spirituous liquors sold in this state during the  
31 month in which the tax accrues.

32           2. The amount of vinous liquors other than ciders ~~as defined in~~  
33 ~~section 42-3001~~ sold in ~~the~~ **THIS** state during the month in which the tax  
34 accrues.

35           3. The amount of tax for the period covered by the return.

36           4. Any other information that the department deems necessary for  
37 the proper administration of this chapter.

38           ~~E.~~ **F.** The wholesaler shall deliver the return, together with a  
39 remittance of the amount of the tax due, to the department.

40           ~~F.~~ **G.** Any taxpayer that fails to pay the tax within ten days ~~from~~  
41 **AFTER** the date on which the payment becomes due is subject to and shall  
42 pay a penalty determined under section 42-1125, plus interest at the rate  
43 determined pursuant to section 42-1123 from the time the tax was due and  
44 payable until paid.

45           ~~G.~~ **H.** For reporting periods beginning from and after December 31,  
46 2019, or when the department has established an electronic filing program,  
47 whichever is later, each taxpayer shall file electronically any report or

1 return required under this chapter. The report or return is considered to  
2 be filed and received by the department on the date of the electronic  
3 postmark pursuant to section 42-1105.02.

4 Sec. 64. Section 42-3355, Arizona Revised Statutes, is amended to  
5 read:

6 42-3355. Return and payment by farm wineries, manufacturers,  
7 direct shipment licensees, microbreweries and  
8 craft distillers

9 A. A farm winery selling vinous liquor OR ADULT HEMP BEVERAGES at  
10 retail or to a retail licensee pursuant to title 4, chapter 2 that is  
11 manufactured or produced on the premises, a producer of vinous liquor OR  
12 ADULT HEMP BEVERAGES that sells at retail pursuant to section 4-243.02 or  
13 a direct shipment licensee that sells pursuant to section 4-203.04 shall  
14 pay the tax under this chapter on all such liquor OR ADULT HEMP BEVERAGES  
15 sold at retail or to a retail licensee within this state and add the  
16 amount of the tax to the sales price.

17 B. A microbrewery selling malt liquor OR ADULT HEMP BEVERAGES at  
18 retail or to a retail licensee pursuant to title 4, chapter 2 that is  
19 manufactured or produced on the premises or a manufacturer of beer OR  
20 ADULT HEMP BEVERAGES that sells at retail pursuant to section 4-243.02  
21 shall pay the tax under this chapter on all malt liquor OR ADULT HEMP  
22 BEVERAGES sold at retail or to a retail licensee within this state and add  
23 the amount of the tax to the sales price.

24 C. A craft distiller selling spirituous liquor, READY-TO-DRINK  
25 SPIRITS PRODUCTS OR ADULT HEMP BEVERAGES at retail or to a retail licensee  
26 pursuant to title 4, chapter 2 that is manufactured or produced on the  
27 premises or a distiller of spirituous liquor, READY-TO-DRINK SPIRITS  
28 PRODUCTS OR ADULT HEMP BEVERAGES that sells at retail pursuant to section  
29 4-243.02 shall pay the tax under this chapter on all spirituous liquor,  
30 READY-TO-DRINK SPIRITS PRODUCTS OR ADULT HEMP BEVERAGES sold at retail or  
31 to a retail licensee within this state and add the amount of the tax to  
32 the sales price.

33 D. The farm winery, manufacturer, microbrewery, craft distiller or  
34 direct shipment licensee shall pay the tax to the department annually on  
35 or before the twentieth day of the first month of the year succeeding the  
36 year in which the tax accrues.

37 E. On or before that date, the farm winery, manufacturer,  
38 microbrewery, craft distiller or direct shipment licensee shall prepare a  
39 sworn return for the year in which the tax accrues in the form prescribed  
40 by the department, showing:

41 1. The amount of liquors, ~~or~~ beer, READY-TO-DRINK SPIRITS PRODUCTS  
42 OR ADULT HEMP BEVERAGES sold in this state during the year in which the  
43 tax accrues.

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

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



1 F. The farm winery, manufacturer, microbrewery, craft distiller or  
2 direct shipment licensee shall deliver the return, together with a  
3 remittance of the amount of the tax due, to the department.

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

9 H. For reporting periods beginning from and after December 31,  
10 2019, or when the department has established an electronic filing program,  
11 whichever is later, each taxpayer shall file electronically any report or  
12 return required under this chapter. The report or return is considered to  
13 be filed and received by the department on the date of the electronic  
14 postmark pursuant to section 42-1105.02.

15 Sec. 65. Title 42, chapter 3, article 8, Arizona Revised Statutes,  
16 is amended by adding section 42-3357, to read:

17 42-3357. Return and payment by wholesalers of adult hemp  
18 beverages

19 A. EACH WHOLESALER OF ADULT HEMP BEVERAGES THAT PURCHASES ADULT  
20 HEMP BEVERAGES FOR RESALE WITHIN THIS STATE SHALL PAY THE TAX UNDER THIS  
21 CHAPTER ON ALL PRODUCTS THAT ARE PURCHASED AND ADD THE AMOUNT OF THE TAX  
22 TO THE SALES PRICE.

23 B. THE WHOLESALER SHALL PAY THE TAX TO THE DEPARTMENT MONTHLY ON OR  
24 BEFORE THE TWENTIETH DAY OF THE MONTH NEXT SUCCEEDING THE MONTH IN WHICH  
25 THE TAX ACCRUES.

26 C. ON OR BEFORE THE DATE PRESCRIBED BY SUBSECTION B OF THIS  
27 SECTION, THE WHOLESALER SHALL PREPARE A SWORN RETURN FOR THE MONTH IN  
28 WHICH THE TAX ACCRUES IN THE FORM PRESCRIBED BY THE DEPARTMENT, SHOWING:

29 1. THE AMOUNT OF ADULT HEMP BEVERAGES PURCHASED DURING THE MONTH IN  
30 WHICH THE TAX ACCRUES.

31 2. THE AMOUNT OF TAX FOR THE PERIOD COVERED BY THE RETURN.

32 3. ANY OTHER INFORMATION THAT THE DEPARTMENT DEEMS NECESSARY FOR  
33 THE PROPER ADMINISTRATION OF THIS CHAPTER.

34 D. THE TAXPAYER SHALL DELIVER THE RETURN, TOGETHER WITH A  
35 REMITTANCE OF THE AMOUNT OF THE TAX DUE, TO THE DEPARTMENT.

36 E. ANY TAXPAYER THAT FAILS TO PAY THE TAX WITHIN TEN DAYS AFTER THE  
37 DATE ON WHICH THE PAYMENT BECOMES DUE IS SUBJECT TO AND SHALL PAY A  
38 PENALTY DETERMINED UNDER SECTION 42-1125, PLUS INTEREST AT THE RATE  
39 DETERMINED PURSUANT TO SECTION 42-1123 FROM THE TIME THE TAX WAS DUE AND  
40 PAYABLE UNTIL PAID.

41 F. FOR REPORTING PERIODS BEGINNING FROM AND AFTER DECEMBER 31,  
42 2019, OR WHEN THE DEPARTMENT HAS ESTABLISHED AN ELECTRONIC FILING PROGRAM,  
43 WHICHEVER IS LATER, A TAXPAYER SHALL FILE ELECTRONICALLY ANY REPORT OR  
44 RETURN REQUIRED UNDER THIS CHAPTER. THE REPORT OR RETURN IS CONSIDERED TO  
45 BE FILED AND RECEIVED BY THE DEPARTMENT ON THE DATE OF THE ELECTRONIC  
46 POSTMARK PURSUANT TO SECTION 42-1105.02.

1       Sec. 66. Existing licensee applications

2       A. Notwithstanding section 4-203, Arizona Revised Statutes, as  
3 amended by this act, a person holding a producer's license or craft  
4 producer's license pursuant to title 4, Arizona Revised Statutes, may  
5 apply to add an adult hemp beverages manufacturer license to manufacture  
6 and sell adult hemp beverages under that producer's or craft producer's  
7 license, and the department of liquor licenses and control shall grant the  
8 license on the submission of a completed application without a hearing.

9       B. Notwithstanding section 4-203, Arizona Revised Statutes, as  
10 amended by this act, a person holding a wholesaler's license pursuant to  
11 title 4, Arizona Revised Statutes, may apply to purchase and sell adult  
12 hemp beverages under that license, and the department of liquor licenses  
13 and control shall grant that privilege on the submission of a completed  
14 application without a hearing.

15       C. Notwithstanding section 4-203, Arizona Revised Statutes, as  
16 amended by this act, a person holding a liquor store, beer and wine store,  
17 bar, beer and wine bar, club, hotel-motel[,—] [or] restaurant[,—~~or~~  
18 ~~government license~~] pursuant to title 4, Arizona Revised Statutes, may  
19 apply to sell adult hemp beverages under that retail license, and the  
20 department of liquor licenses and control shall grant that privilege on  
21 the submission of a completed application without a hearing.

22       D. Notwithstanding section 4-203, Arizona Revised Statutes, as  
23 amended by this act, a person holding a registered alcohol delivery  
24 contractor permit pursuant to title 4, Arizona Revised Statutes, may apply  
25 to deliver adult hemp beverages under that permit, and the department of  
26 liquor licenses and control shall grant that privilege on the submission  
27 of a completed application without a hearing.

28       E. A license or permit holder desiring to carry adult hemp  
29 beverages shall apply to the director of the department of liquor licenses  
30 and control on a form prescribed and furnished by the director of the  
31 department of liquor licenses and control. The application for adult hemp  
32 beverages may be filed for an existing license or permit or may be  
33 submitted with a new license or permit application. The review of the  
34 application and the issuance of approval for a new license shall be  
35 conducted under the same procedures for the issuance of a spirituous  
36 liquor license prescribed in section 4-201, Arizona Revised Statutes, as  
37 amended by this act. After the application to carry adult hemp beverages  
38 has been issued for a license or permit, the adult hemp beverage  
39 designation shall be noted on the license or permit itself and in the  
40 records of the department of liquor licenses and control. The director of  
41 the department of liquor licenses and control may charge a fee for  
42 processing each new license or permit application as provided in this  
43 section.

44       F. A city or town may not charge any fee relating to the issuance  
45 or approval of adult hemp beverages license or permit applications.

1       Sec. 67. Initial applications; delayed repeal

2       A. Notwithstanding sections 4-216 and 4-225, Arizona Revised  
3 Statutes, as added by this act, before the adoption of rules, the  
4 department of liquor licenses and control may approve license applications  
5 of adult hemp beverages manufacturers and may issue licenses to such  
6 applicants that satisfy the requirements of title 4, Arizona Revised  
7 Statutes.

8       B. Notwithstanding sections 4-216 and 4-225, Arizona Revised  
9 Statutes, as added by this act, before the adoption of rules, the  
10 department of liquor licenses and control may approve permit applications  
11 of entities that satisfy the requirements of title 4, Arizona Revised  
12 Statutes, to serve as independent testing laboratories.

13       C. The director of the department of liquor licenses and control  
14 may charge a fee for processing each initial application as provided in  
15 this section.

16       D. A city or town may not charge any fee relating to the issuance  
17 or approval of adult hemp beverages license or permit applications.

18       E. This section is repealed from and after December 31, 2026.

19       Sec. 68. Grace period

20       The department of liquor licenses and control shall allow retailers  
21 and wholesalers ninety days after the effective date of this act to sell  
22 any adult hemp beverages products that were in the retailer's or  
23 wholesaler's inventory as of the effective date of this act. All sales  
24 must be in compliance with the requirements of section 4-244, Arizona  
25 Revised Statutes, as amended by this act, including the prohibition on  
26 sales to persons under the legal drinking age. From and after ninety days  
27 after the effective date of this act, all hemp beverage products that are  
28 not removed from the inventory of a retailer or wholesaler shall be  
29 subject to forfeiture and destruction and may not be purchased or sold in  
30 this state. The cost of seizure, forfeiture and destruction or disposal  
31 pursuant to this section shall be paid by the person or entity from whom  
32 the adult hemp beverages products are confiscated.

33       Sec. 69. Appropriation; department of liquor licenses and  
34                   control; adult hemp beverages regulation; intent;  
35                   exemption

36       A. The sum of \$1,000,000 is appropriated from the liquor licenses  
37 fund established by section 4-120, Arizona Revised Statutes, in fiscal  
38 year 2025-2026 to the department of liquor licenses and control for adult  
39 hemp beverages regulation.

40       B. The legislature intends that the appropriation made in  
41 subsection A of this section be considered ongoing funding in future  
42 years.

43       C. The appropriation made in subsection A of this section is exempt  
44 from the provisions of section 35-190, Arizona Revised Statutes, relating  
45 to lapsing of appropriations.

1       Sec. 70. Severability

2       If a provision of this act or its application to any person or  
3 circumstance is held invalid, the invalidity does not affect other  
4 provisions or applications of the act that can be given effect without the  
5 invalid provision or application, and to this end the provisions of this  
6 act are severable.

7       Sec. 71. Applicability

8       Sections 42-3001, 42-3051, 42-3052, ~~[42-3335]~~ [42-3351], 42-3352  
9 and 42-3355, Arizona Revised Statutes, as amended by this act, and section  
10 42-3357, Arizona Revised Statutes, as added by this act, apply to taxable  
11 periods beginning on or after the first day of the month following the  
12 general effective date.

13       Sec. 72. Applicability of existing rules

14       The existing rules of the department of liquor licenses and control  
15 applicable to the manufacture and sale of spirituous liquor shall apply  
16 equally to the manufacture and sale of adult hemp beverages unless an  
17 existing rule is deemed inapplicable by the department of liquor licenses  
18 and control.

19       <<Sec. 73. Legislative intent

20       [A. Under the agriculture improvement act of 2018 ("2018 Farm  
21 Bill", P. L. 115-334), the United States congress authorized industrial  
22 hemp production, removing hemp and hemp seeds from the United States drug  
23 enforcement administration schedule of controlled substances.

24       B. The Arizona legislature enacted its own hemp law, Laws 2018,  
25 chapter 287, to preserve and further the intent of the 2018 farm bill. In  
26 compliance, the Arizona department of agriculture was directed to do all  
27 of the following:

28       1. Oversee the cultivation, processing and distribution of  
29 industrial hemp, as defined.

30       2. Issue licenses to hemp growers, harvesters, transporters and  
31 processors, which ensures compliance with the 2018 Farm Bill.

32       C. In the 2020 general election, the voters enacted Proposition  
33 207, the "smart and safe marijuana act", which took effect in 2021 and  
34 regulates the production and sale of recreational marijuana in Arizona.  
35 Under section 36-2850, paragraph 19, subdivision (c), Arizona Revised  
36 Statutes, of that voter initiative, industrial hemp is specifically  
37 excluded from the definition of marijuana.

38       D. While the legislature recognized the need in 2018 to regulate  
39 hemp products under a framework overseen by the Arizona department of  
40 agriculture, for public safety reasons the fifty-seventh legislature,  
41 first regular session recognizes the need to further regulate adult hemp  
42 beverages and integrate them into the existing regulatory framework for  
43 spirituous liquor beverages under the jurisdiction of the Arizona  
44 department of liquor licenses and control. Under title 4, Arizona Revised  
45 Statutes, adult hemp beverages will be classified and regulated along with  
46 spirituous liquor beverages, which involves all of the following:

1       1. Licensing and trade practice requirements for manufacturers,  
2 distributors and retailers of adult hemp beverages.  
3       2. Sales of adult hemp beverages only to persons twenty-one years  
4 of age or older and only in licensed establishments.  
5       3. Regulations on adult hemp beverages to limit tetrahydrocannabinol  
6 potency levels and to prevent over-service for the purpose of mitigating  
7 intoxication risks.  
8       4. Product testing, labeling and marketing restrictions on adult  
9 hemp beverages.  
10       5. Comparable luxury tax requirements on adult hemp beverages.]>>

11 Enroll and engross to conform

12 Amend title to conform

THOMAS "T.J." SHOPE

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