State of Arizona
Senate
Fifty-second Legislature
First Regular Session
2015

CHAPTER 131

SENATE BILL 1030

AN ACT

AMENDING SECTION 4-205.08, ARIZONA REVISED STATUTES; RELATING TO LIQUOR LICENSES.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 4-205.08, Arizona Revised Statutes, is amended to read:

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

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

B. An applicant for a microbrewery license, at the time of filing the application for the license, shall accompany the application with the license fee. Persons holding a microbrewery license shall report annually at the end of each calendar year, at such time and in such manner as the director may prescribe, the amount of beer PRODUCED OR manufactured by them during the calendar year and the amount delivered pursuant to subsection D, paragraph 5–4, subdivision (b) of this section. If the total amount of beer that is produced or manufactured during the calendar year exceeds the amount permitted annually by the license, the licensee shall apply for and receive a producer’s license ONLY ON SURRENDER OF THE MICROBREWERY LICENSE OR LICENSES AND SHALL HAVE NO CONTINUING RIGHTS AS A MICROBREWERY UNDER THIS SECTION. ON THE SURRENDER OF THE MICROBREWERY LICENSE OR LICENSES, THE LICENSEE SHALL TRANSFER, SURRENDER OR OTHERWISE RELINQUISH CONTROL OF ALL OF ITS RETAIL LICENSES LOCATED REMOTELY FROM A MICROBREWERY.

C. Notwithstanding any other statute LAW, a licensed microbrewery may:

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

2. Make sales and deliveries of beer THAT THE MICROBREWERY PRODUCES OR MANUFACTURES to persons licensed to sell beer under this title through wholesalers licensed under this title or as provided in subsection D, paragraph 5, subdivision (a) or (b) of this section.

3. Make sales and deliveries of beer THAT THE MICROBREWERY PRODUCES OR MANUFACTURES to persons licensed to sell beer in another state if lawful under the laws of that state.

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

5. SELL BEER PRODUCED OR MANUFACTURED BY OTHER MICROBREWERIES FOR CONSUMPTION ONLY ON THE PREMISES OF THE LICENSEE, EXCEPT THAT THE SALES PERCENTAGE OF BEER FROM OTHER MICROBREWERIES MAY NOT EXCEED TWENTY PERCENT OF THE LICENSEE’S ANNUAL SALES OF BEER BY VOLUME AT THE PREMISES. IF THE OTHER MICROBREWERY HAS ESTABLISHED A DISTRIBUTION RELATIONSHIP WITH ONE OR MORE WHOLESALERS WHO ARE LICENSED UNDER THIS TITLE, THE BEER SHALL BE PURCHASED THROUGH THOSE WHOLESALERS.
D. A licensed microbrewery is subject to all of the following requirements:

1. The microbrewery shall produce OR MANUFACTURE not less than five thousand gallons of beer in each calendar year following the first year of operation.

2. The microbrewery shall not produce OR MANUFACTURE more than one six million two hundred forty thousand gallons of beer in a calendar year.

3. If retail operations are conducted in conjunction with the microbrewery, THE MICROBREWERY MAY SELL OTHER SPIRITUOUS LIQUOR PRODUCTS IF THE MICROBREWERY HOLDS AN ON-SALE RETAIL LICENSE FOR A BAR, BEER AND WINE BAR, OR RESTAURANT. THE MICROBREWERY MAY BE ISSUED UP TO A COMBINED TOTAL OF SEVEN RETAIL LICENSES IN THIS STATE WHETHER LOCATED ON OR ADJACENT TO A MICROBREWERY OR REMOTELY FROM A MICROBREWERY. THE LIMIT ON THE NUMBER OF RETAIL LICENSES APPLIES ON AN AGGREGATED BASIS TO ALL MICROBREWERIES THAT ARE UNDER COMMON CONTROL OF ANY PERSON WITH CONTROL OF THE MICROBREWERY. these retail operations shall be conducted from the same site as the location of the microbrewery.

4. The microbrewery may sell other spirituous liquor products if:
   (a) The microbrewery holds an on-sale retail license.
   (b) The retail sale of the spirituous liquor is on or adjacent to the premises of the microbrewery.

5. 4. The microbrewery may make sales and deliveries of beer that it has produced OR MANUFACTURED to both:
   (a) Retail licensees that are under common ownership with the microbrewery THAT MEET THE REQUIREMENTS PRESCRIBED IN PARAGRAPH 3 OF THIS SUBSECTION in any amount.
   (b) Other licensed retailers ANY OTHER RETAIL LICENSEE in a cumulative amount not to exceed ninety-three thousand gallons in total for all licensed retailers in any calendar year.

E. A person who holds a microbrewery license that meets the requirements of this section and who is not otherwise engaged in the business of a distiller, vintner, brewer, rectifier, blender or other producer of spirituous liquor in any jurisdiction may hold other on-sale retail licenses. Except as provided in subsection D, paragraph 5, subdivision (a) of this section, the person shall purchase all spirituous liquor for sale at the other on-sale retail premises from wholesalers that are licensed in this state.

E. A MICROBREWERY THAT PRODUCE OR MANUFACTURES MORE THAN ONE MILLION TWO HUNDRED FORTY THOUSAND GALLONS OF BEER IN A CALENDAR YEAR MAINTAINS ALL OF THE RIGHTS ASSOCIATED WITH A MICROBREWERY LICENSE, WITH THE EXCEPTION THAT IT SHALL NOT:

1. APPLY FOR OR RECEIVE A RETAIL LICENSE PURSUANT TO SUBSECTION D, PARAGRAPH 3 OF THIS SECTION THAT IS LOCATED REMOTELY FROM THE MICROBREWERY.

2. MAKE SALES OR DELIVERIES OF BEER THAT IT HAS PRODUCED OR MANUFACTURED TO ANY RETAIL LICENSE AS PROVIDED IN SUBSECTION D, PARAGRAPH 4
OF THIS SECTION, EXCEPT FOR ITS RETAIL LICENSES ON OR ADJACENT TO THE
MICROBREWERY.

F. THE GALLONAGE AMOUNTS PRESCRIBED IN SUBSECTION D, PARAGRAPH 2 AND
SUBSECTION E OF THIS SECTION APPLY TO THE AGGREGATE MANUFACTURE OR PRODUCTION
OF ALL MICROBREWERIES THAT ARE UNDER COMMON CONTROL OF ANY PERSON WITH
CONTROL OF THE MICROBREWERY.

G. A MICROBREWERY THAT IS OTHERWISE ENGAGED AS A DISTILLER, VINTNER,
BREWER, RECTIFIER, BLENDER OR OTHER PRODUCER OF SPIRITUOUS LIQUOR IN ANY
JURISDICTION IS PROHIBITED FROM HOLDING ANY RETAIL LICENSE THAT IS LOCATED
REMOTELY FROM A MICROBREWERY.

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

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

2. File all returns or reports required by law.

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

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

Sec. 2. Microbrewery licenses; temporary provisions

A. Notwithstanding section 4-205.08, Arizona Revised Statutes, as
amended by this act, persons who hold microbrewery licenses and who also hold
retail licenses or who have applied for retail licenses before the effective
date of this act, of retail license types other than allowed or in excess of
the total number of licenses allowed under section 4-205.08, subsection D,
Arizona Revised Statutes, as amended by this act, may continue to hold each
retail license unless that license becomes inactive at that location for more
than six months.

B. Notwithstanding section 4-205.08, Arizona Revised Statutes, as
amended by this act, a person who holds any interest in any microbrewery
license that also holds an on-sale retail license on or before December 31,
2015, that is not on or adjacent to the microbrewery premises and who becomes
a producer as provided by section 4-205.08, Arizona Revised Statutes, as
amended by this act, on or before December 31, 2018, may continue to hold
those retail licenses, notwithstanding section 4-243, subsection A, paragraph
3, Arizona Revised Statutes.

C. Notwithstanding section 4-205.08, Arizona Revised Statutes, as
amended by Laws 2014, chapter 253, section 13, a person who holds any
interest in any microbrewery license issued by the department of liquor
licenses and control on or before the effective date of this act and any
interest in any retail licenses issued by the department of liquor licenses
and control may continue to hold each retail license unless that license
becomes inactive at that location for more than six months.

D. Notwithstanding section 4-205.08, Arizona Revised Statutes, as
amended by Laws 2014, chapter 253, section 13, a person who holds any
interest in any microbrewery license issued by the department of liquor licenses and control on or before the effective date of this act and any interest in any producer license or out-of-state producer license issued by the department of liquor licenses and control on or before the effective date of this act, and who also holds any retail licenses issued by the department of liquor licenses and control on or before the effective date of this act, may continue to hold each retail license unless that license becomes inactive at that location for more than six months.

E. Notwithstanding section 4-205.08, Arizona Revised Statutes, as amended by Laws 2014, chapter 253, section 13, a person who holds any microbrewery licenses issued by the department of liquor licenses and control on or before the effective date of this act and who also holds or controls any interest in any producer or out-of-state producer license on or before the effective date of this act may continue to hold or control the microbrewery licenses and producer licenses.

Sec. 3. Severability
If a provision of this act or its application to any person or circumstances is held invalid by a final, nonappealable decision of a court of competent jurisdiction, the invalidity does not affect other provisions or applications of the act that can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

APPROVED BY THE GOVERNOR MARCH 31, 2015.