

NOTICE OF PROPOSED EXPEDITED RULEMAKING
TITLE 19. ALCOHOL, HORSE AND DOG RACING, LOTTERY, AND GAMING
CHAPTER 1. DEPARTMENT OF LIQUOR LICENSES AND CONTROL

PREAMBLE

1. Article, Part, or Section Affected (as applicable) Rulemaking Action

| | |
|-----------|-------|
| R19-1-101 | Amend |
| R19-1-102 | Amend |
| R19-1-104 | Amend |
| R19-1-105 | Amend |
| R19-1-206 | Amend |
| R19-1-207 | Amend |
| R19-1-209 | Amend |
| R19-1-304 | Amend |
| R19-1-315 | Amend |
| R19-1-316 | Amend |
| R19-1-317 | Amend |
| R19-1-320 | Amend |
| R19-1-501 | Amend |
| R19-1-504 | Amend |

2. Citations to the agency’s statutory authority to include the authorizing statute (general) and the implementing statute (specific):

Authorizing statute: A.R.S. § 4-112(B)(1)(a)

Implementing statute: A.R.S. §§ 4-112(B)(1)(d); 4-201(E); 4-202(B); 203(B), (J), (M); 4-203.04(J); 4-205.02(M); 4-205.04(C)(9); 4-206.01; 4-209; 4-210; 4-242; 4-244(3) and (19); 35-142(L); and 41-1072

3. Citations to all related notices published in the *Register* as specified in R1-1-409(A) that pertain to the record of the proposed rule:

Notice of Rulemaking Docket Opening:

4. The agency’s contact person who can answer questions about the rulemaking:

Name: Wesley Kuhl

Address: Arizona Department of Liquor Licenses and Control
800 W Washington St, 5th floor

Phoenix, AZ 85007

Telephone: 602-542-9072

E-mail: wes.kuhl@azliquor.gov

5. An agency's justification and reason why the rule should be made, amended, repealed, or renumbered, to include an explanation about the rulemaking:

The following Sections are amended to address issues identified in a five-year review report approved by the Governor's Regulatory Review Council on August 3, 2021.

R19-1-101:

1. Definitions for *production and storage spaces* and *public area* are added to reflect the statutory definitions at A.R.S. § 4-205.10.
2. 101(A)(2)(b) and (3)(b) are amended to correct the statutory reference change from A.R.S. § 206.01(F) to 206.01(G).
3. 101(A)(2)(c), (A)(3)(c), (A)(4)(b), (A)(16) and (A)(27) are amended to reflect the statutory reference of A.R.S. § 4-244(32)(c). The statute no longer specifies the container into which a licensee dispenses beer for consumption off-sale is made only of glass.
4. The definition for *special event license* is amended to reflect statutory changes in A.R.S. § 4-203.02(E) regarding the types of entities that can obtain a special event license.
5. 101(16) is amended to reflect the statutory change in A.R.S. § 4-205.08 increasing the maximum amount of beer a microbrewery may produce from 1.24 to 6.2 million gallons.

R19-1-102:

1. 102(D) is deleted because the statutory authority in A.R.S. § 4-213 to issue a new restaurant continuation authorization was repealed. Subsequent subsections are amended to conform.
2. 102 (old G through J) (new F through I) are amended to strike the language *until the date specified* and correct the statutory references to A.R.S. §§ 4-206.01(K) and 35-142(L). The statutes removed the specific date limitation on various license fees.

R19-1-104:

1. 104(C)(1) is amended to reflect the new statutory authority under A.R.S. § 4-205.10(C)(5) regarding distilled spirits shipped by a craft distiller licensee.
2. 104(C)(2)(b) is amended to reflect new statutory authorities under A.R.S. §§ 4-203.04(J), 205.04(C)(7) and (9), 205.08(D) creating exceptions for wine shipped by a domestic farm winery licensee, beer shipped by a domestic microbrewery licensee, and distilled spirits shipped by a craft distiller licensee.

R19-1-105: Subsection (B) is amended to correct the statutory reference from A.R.S. § 4-101(26) to

A.R.S. § 4-101(31).

R19-1-206: Subsections (A), (B), and (C) are amended to correct the statutory reference from A.R.S. § 4-205.02(H)(2) to A.R.S. § 4-205.02(M)(2).

R19-1-207: Subsections (A) and (C) are amended to correct the statutory reference from A.R.S. § 4-101(26) to A.R.S. § 4-101(31).

R19-1-209: Subsection (I) is amended to strike the statutory reference of A.R.S. § 4-101(9) as it is not related to the rule.

R19-1-304: Subsection (C) is amended to reflect the new statutory authority for domestic farm wineries under A.R.S. § 4-203.04(J) or A.R.S. § 4-205.04(C)(7) and(9), a domestic microbrewery under A.R.S. § 4-205.08(D)(5), and a craft distiller under A.R.S. § 4-205.10(C)(5).

R19-1-315: Subsections (A) and (B) are amended to reflect the new statutory authority for domestic farm wineries under A.R.S. § 4-203.04(J) or A.R.S. § 4-205.04(C)(9) and craft distiller under A.R.S. § 4-205.10(C)(7).

R19-1-316: Subsection (A) is amended to correct the statutory reference from A.R.S. § 4-206.01(J) to 4-206.01(K).

R19-1-317: Subsection (D) is amended to correct the statutory reference from A.R.S. § 4-205.02(H) to 4-206.02(M).

R19-1-320: Subsection (M)(2) is amended to reflect the new statutory authority regarding the size of samples provided for consumption off a licensed premises.

R19-1-501: Subsection (E) is amended to delete the statutory reference to A.R.S. 4-241(K) as the statute is not relevant to the rule.

R19-1-504: Subsections (A), (C), and (D) are amended to reflect the new statutory authority for domestic farm wineries under A.R.S. § 4-203.04(J) or A.R.S. § 4-205.04(C)(9) and craft distiller under A.R.S. § 4-205.10(C)(7).

Under A.R.S. § 41-1027(A)(3) and (6), the Board is authorized to conduct an expedited rulemaking because the rulemaking does not increase the cost of regulatory compliance, increase a fee, or reduce procedural rights of persons regulated by the rules. The rulemaking also corrects typographical errors, clarifies language without changing its effect, and amends rules that are outdated or unnecessary for the operation of state government.

Exemption from Executive Order 2021-02 and approval to move forward using the expedited rulemaking procedure was provided by Alyssa Salvaggio, of the Governor's Office, in an e-mail dated November 23, 2021.

6. A reference to any study relevant to the rule that the agency reviewed and proposes to either rely on or not rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

The Department does not intend to review or rely on a study in its evaluation of or justification for any rule in this rulemaking.

7. A showing of good cause why the rulemaking is necessary to promote a statewide interest if the rulemaking will diminish a previous grant of authority of a political subdivision of this state:

Not applicable.

8. The preliminary summary of the economic, small business, and consumer impact:

Under A.R.S. § 41-1055(D)(2), the Department is not required to prepare an economic, small business, and consumer impact statement.

9. The agency's contact person who can answer questions about the economic, small business, and consumer impact statement:

Name: Wesley Kuhl

Address: Arizona Department of Liquor Licenses and Control
800 W Washington St, 5th floor
Phoenix, AZ 85007

Telephone: 602-542-9072

E-mail: wes.kuhl@azliquor.gov

10. The time, place, and nature of the proceedings to make, amend, repeal, or renumber the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

Date: Thursday, January 26, 2023

Time: 10:00 a.m.

Location: 800 W Washington St, 5th floor
Phoenix, AZ 85007

The oral proceeding may be attended in person or virtually. Instructions for attending virtually will be posted on the Department's website.

11. All agencies shall list other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules. Additionally, an agency subject to Council review under A.R.S. §§ 41-1052 and 41-1055 shall respond to the following questions:

None

a. Whether the rule requires a permit, whether a general permit is used, and if not, the reason

why a general permit is not used:

Under A.R.S. § 41-1037(A)(2), the licenses issued by the Department are not general permits.

A.R.S. § 4-202 requires the Department to assess individual qualifications, including possibly a criminal background check, before issuing a license.

b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law, and if so, citation to the statutory authority to exceed the requirements of federal law:

There are numerous federal laws applicable to alcohol. The rules are consistent with and not more stringent than 27 CFR, Chapter 1, Subchapter A.

c. Whether a person submitted an analysis to the agency that compares the rule's impact of the competitiveness of business in this state to the impact on business in other states:

The Department did not receive an analysis.

12. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rules:

None

13. The full text of the rules follows:

TITLE 19. ALCOHOL, HORSE AND DOG RACING, LOTTERY, AND GAMING

CHAPTER 1. DEPARTMENT OF LIQUOR LICENSES AND CONTROL

ARTICLE 1. GENERAL PROVISIONS

Section

- R19-1-101. Definitions
- R19-1-102. Fees and Surcharges; Service Charges
- R19-1-104. Shipping Container Labeling; Shipping Requirements
- R19-1-105. Standards for a Non-contiguous Area of a Licensed Premises

ARTICLE 2. LICENSING

Section

- R19-1-206. Criteria for Issuing a Restaurant License
- R19-1-207. Extension of Premises
- R19-1-209. Licensing Time-frames

ARTICLE 3. LICENSEE RESPONSIBILITIES

Section

- R19-1-304. Storing Spirituous Liquor on Unlicensed Premises
- R19-1-315. Responsibilities of a Licensee that Operates a Delivery Service
- R19-1-316. Responsibilities of a Liquor Store or Beer and Wine Store Licensee
- R19-1-317. Responsibilities of a Hotel-Motel or Restaurant Licensee
- R19-1-320. Practices Permitted by a Wholesaler

ARTICLE 5. REQUIRED RECORDS AND REPORTS

Section

- R19-1-501. General Recordkeeping
- R19-1-504. Record of Delivery of Spirituous Liquor

ARTICLE 1. GENERAL PROVISIONS

R19-1-101. Definitions

- A. The definitions in A.R.S. §§ 4-101, 4-205.02, 4-205.03, 4-205.06, 4-207, 4-210, 4-227, 4-243, 4-243.01, 4-244, 4-248, 4-251, and 4-311 apply to this Chapter. Additionally, in A.R.S. Title 4 and this Chapter, unless the context otherwise requires:
1. “Association” means a group of individuals who have a common interest that is organized as a non-profit corporation or fraternal or benevolent society and owns or leases a business premises for the group's exclusive use.
 2. “Bar license” (Series 6) means authorization issued to an on-sale retailer to sell:
 - a. Spirituous liquors in individual portions for consumption on the licensed premises;
 - b. Spirituous liquors in an original, unopened, container for consumption off the licensed premises provided sales for consumption off the licensed premises, by total retail sales of spirituous liquor at the licensed premises, are no more than the percentage of the sales price of on-sale spirituous liquor established under ~~A.R.S. § 4-206.01(F)~~ A.R.S. § 4-206.01(G); and
 - c. Beer in ~~a clean glass container that is sealed and labeled as described in~~ accordance with A.R.S. § 4-244(32) A.R.S. § 4-244(32)(c).
 3. “Beer and wine bar license” (Series 7) means authorization issued to an on-sale retailer to sell:
 - a. Beer and wine in individual portions for consumption on the licensed premises;
 - b. Beer and wine in an original, unopened, container for consumption off the licensed premises provided sales for consumption off the licensed premises, by total retail sales of spirituous liquor at the licensed premises, are no more than the percentage of the sales price of on-sale spirituous liquor established under ~~A.R.S. § 4-206.01(F)~~ A.R.S. § 4-206.01(G); and
 - c. Beer in ~~a clean glass container that is sealed and labeled as described in~~ accordance with A.R.S. § 4-244(32) accordance with A.R.S. § 4-244(32)(c).
 4. “Beer and wine store license” (Series 10) means authorization issued to an off-sale retailer to sell:
 - a. Wine and beer in an original, unopened, container for consumption off the licensed premises; and
 - b. Beer in ~~a clean glass container that is sealed and labeled as described in~~ accordance with A.R.S. § 4-244(32) accordance with A.R.S. § 4-244(32)(c).
 5. “Business” means an enterprise or organized undertaking conducted regularly for profit, which may be licensed or unlicensed.

6. "Business premises" means real property and improvements from which a business operates.
7. "Catering establishment" means a business that is available for hire for a particular event and at which food and service is provided for people who attend the event.
8. "Club license" (Series 14) means authorization issued to a club to sell spirituous liquors only to members and members' bona fide guests for consumption only on the premises of the club.
9. "Cocktail mixer" means a non-alcoholic liquid or solid mixture used for mixing with spirituous liquor to prepare a beverage.
10. "Conveyance license" (Series 8) means authorization issued to the owner or lessee of an airplane, train, or boat to sell spirituous liquors for consumption only on the airplane, train, or boat.
11. "Cooler product" means an alcoholic beverage made from wine or beer and fruit juice or fruit flavoring, often in combination with a carbonated beverage and sugar but does not include a formula wine as defined at 27 CFR 24.10.
12. "Deal" means to sell, trade, furnish, distribute, or do business in spirituous liquor.
13. "Department" means the Director of the Department of Liquor Licenses and Control and the State Liquor Board.
14. "Direct shipment license" (Series 17) means authorization issued to producer, exporter, importer, or rectifier to take an order for spirituous liquor and ship the order under A.R.S. § 4-203.04(A)-(I).
15. "Domestic farm winery license" (Series 13) means authorization issued to a domestic farm winery that produces at least 200 gallons but not more than 40,000 gallons of wine annually. For the purposed of A.R.S. § 4-243, a domestic farm winery is considered an "other producer."
16. "Domestic microbrewery license" (Series 3) means authorization issued to a domestic microbrewery that produces at least 5,000 gallons of beer following its first year of operation and not more than ~~1.24~~ 6.2 million gallons of beer annually and includes authorization to sell beer in a clean ~~glass~~ container that is sealed and labeled as described in A.R.S. § 4-244(32)(c). For the purposed of A.R.S. § 4-243, a domestic microbrewery is considered an "other producer."
17. "Entertainment," as used in A.R.S. § 4-244.05, means any form of amusement including a theatrical, opera, dance, or musical performance, motion picture, videotape, audiotape, radio, television, carnival, game of chance or skill, exhibit, display, lecture, sporting event, or similar activity.
18. "Erotic entertainer," as used in A.R.S. § 4-112(G), means an employee who performs in a manner or style designed to stimulate or arouse sexual thoughts or actions.
19. "Government license" (Series 5) has the meaning set forth at A.R.S. § 4-101.

20. "Hotel-motel license" (Series 11) means authorization issued to a hotel or motel that has a restaurant where food is served to sell spirituous liquors for consumption on the premises of the hotel or motel or by means of a mini-bar.
21. "Incidental convenience," as used in A.R.S. § 4-244.05(I), means allowing a customer to possess and consume the amount of spirituous liquor stated in R19-1-324 while at a business to obtain goods or services regularly offered to all customers.
22. "In-state producer license" (Series 1) means authorization issued to an entity to produce or manufacture spirituous liquor in Arizona.
23. "Interim permit" means temporary authorization issued under A.R.S. § 4-203.01 that allows continued sale of spirituous liquor.
24. "Licensed" means a license or interim permit is issued under A.R.S. Title 4 and this Chapter, including a license or interim permit on nonuse status.
25. "Licensed retailer" means an on-sale or off-sale retailer.
26. "Limited out-of-state producer license" (Series 2L) means authorization issued to an out-of-state producer to sell no more than 50 cases of spirituous liquor through a wholesaler annually.
27. "Liquor store license" (Series 9) means authorization issued to an off-sale retailer to sell:
 - a. Spirituous liquors in an original, unopened, container for consumption off the licensed premises; and
 - b. Beer in a clean ~~glass~~ container that is sealed and labeled as described in A.R.S. § 4-244(32)(c).
28. "Non-technical error" means a mistake on an application that has the potential to mislead regarding the truthfulness of information provided.
29. "Nonuse" means a license is not used to engage in business activity authorized by the license for at least 30 consecutive days.
30. "Out-of-state producer license" (Series 2) means authorization issued to an entity to produce, export, import, or rectify spirituous liquors outside of Arizona and ship the spirituous liquors to a wholesaler.
31. "Party" has the same meaning as prescribed in A.R.S. § 41-1001.
32. "Physical barrier" means a wall, fence, rope, railing, or other temporary or permanent structure erected to restrict access to a designated area of a licensed premises.
33. "Producer" means the holder of an in-state, out-of-state, or limited out-of-state producer license.
34. "Product display" means a wine rack, bin, barrel, cask, shelving, or similar item with the primary function of holding and displaying spirituous liquor or other products.
35. "Production and storage spaces" means the same as in A.R.S. § 4-205.10.

36. “Public area” means the same as in A.R.S. § 4-205.10.

~~35-37.~~ “Quota license” means a bar, beer and wine bar, or liquor store license.

~~36-38.~~ “Rectify” means to color, flavor, or otherwise process spirituous liquor by distilling, blending, percolating, or other processes.

~~37-39.~~ “Reset” means a wholesaler adjusts spirituous liquor on the shelves of a licensed retailer.

~~38-40.~~ “Restaurant continuation authorization” means authorization issued to the holder of a restaurant license to operate under the restaurant license after it is determined that food sales comprise at least 30 percent but less than 40 percent of the business's gross revenue.

~~39-41.~~ “Restaurant license” (Series 12) means authorization issued to a restaurant, as defined in A.R.S. § 4-205.02, to sell spirituous liquors for consumption only on the restaurant premises.

~~40-42.~~ “Second-party purchaser” means an individual who is of legal age to purchase spirituous liquor and buys spirituous liquor for an individual who may not lawfully purchase spirituous liquor in Arizona.

~~41-43.~~ “Special event license” (Series 15) means ~~authorization issued to a charitable, civic, fraternal, political, or religious organization to sell spirituous liquors for consumption on or off the premises where the spirituous liquor is sold only for a specified period.~~ the authorization provided under A.R.S. § 4-203.02(E).

~~42-44.~~ “Tapping equipment” means beer, wine, and distilled spirit dispensers as stated in R19-1-326.

~~43-45.~~ “Technical error” means a mistake on an application that does not mislead regarding the truthfulness of the information provided.

~~44-46.~~ “Transfer” means to:

- a. Move a license from one location to another location within the same county; or
- b. Change ownership, directly or indirectly, in whole or in part, of a business.

~~45-47.~~ “Wholesaler license” (Series 4) means authorization issued to a wholesaler, as prescribed at A.R.S. § 4-243.01, to warehouse and distribute spirituous liquors to a licensed retailer or another licensed wholesaler.

~~46-48.~~ “Wine festival or fair license” (Series 16) means authorization issued for a specified period to a domestic farm winery to serve samples of its products and sell the products in individual portions for consumption on the premises or in original, unopened, containers for consumption off the premises.

B. This Section is authorized by A.R.S. § 4-112(B)(1)(a).

R19-1-102. Fees and Surcharges; Service Charges

A. Most of the fees and surcharges collected by the Department are established by statute.

- B.** After a license other than a special event, wine festival or fair, or direct shipment license is approved but before the license is issued, the person that applied for the license shall pay the issuance fee and all applicable surcharges. If the license will be issued less than six months before it is scheduled to be renewed, the person that applied for the license shall also pay one-half of the annual renewal fee.
- C.** After a new bar, beer and wine bar, or liquor store license is approved but before the license is issued, the person that applied for the license shall, as required by A.R.S. § 4-206.01(A)-(E), pay the fair market value of the license.
- ~~**D.** After a restaurant continuation authorization is approved but before the authorization is issued, the person that applied for the authorization shall pay a one time fee of \$30,000.~~
- E. D.** A licensee shall pay the renewal fee established under A.R.S. 4-209(D) annually or double the renewal fee established under A.R.S. 4-209(D) biennially, as specified by the Department. A licensee that fails to submit a renewal application by the deadline established by the Department shall pay a penalty of \$150 in addition to the renewal fee.
- ~~**F.**~~ **E.** At the time of application for a license, an individual required under A.R.S. Title 4 or this Chapter to submit fingerprints for a criminal history background check, shall pay the charge established by the Department of Public Safety for processing the fingerprints. The individual may have the fingerprints taken by a law enforcement agency, other qualified entity, or the Department. If the fingerprints are taken by the Department, the individual shall pay to the Department the actual cost of this service to a maximum of \$20.
- ~~**G.**~~ **F.** ~~Until the date specified in Under A.R.S. § 4-205.02(G),~~ the Director shall collect from an applicant for a restaurant license the actual amount incurred to conduct a site inspection to a maximum of \$50.
- ~~**H.**~~ **G.** ~~Until the date specified in Under A.R.S. § 4-207.01(B),~~ the Director shall collect from a licensee the actual amount incurred to review and act on an application for approval to alter or change a licensed premise to a maximum of \$50.
- ~~**I.**~~ **H.** ~~Until the date specified in Under A.R.S. § 4-206.01(J)~~ A.R.S. § 4-206.01(K), the Director establishes and shall collect a fee of \$100 from an applicant that applies for sampling privileges associated with a liquor or beer and wine store license and \$60 to renew the sampling privilege.
- ~~**J.**~~ **I.** ~~Until the date specified in Under A.R.S. § 4-244.05(J)(4),~~ the Director shall collect from the owner of an unlicensed establishment or premises acting under A.R.S. § 4-244.05 the actual amount incurred to conduct an inspection for compliance with R19-1-324 to a maximum of \$50.
- ~~**K.**~~ **J.** If a check provided to the Department by an applicant or licensee is dishonored by the bank upon presentment, the Department shall:
1. As allowed by A.R.S. § 44-6852, require the applicant or licensee to pay the actual charges

assessed by the bank plus a service fee of \$25;

2. Not issue a license, permit, or other approval to the applicant or licensee until all fees, including those referenced in subsection (K)(1), are paid by money order; and
3. Require the applicant or licensee to pay all future fees to the Department by money order.

L. K. As allowed under ~~A.R.S. § 35-142(K)~~ A.R.S. § 35-142(L), the Department may impose a convenience fee for accepting payment made by credit or debit card.

M. L. This Section is authorized by A.R.S. §§ 4-112(G)(10), 4-205.02, 4-206.01, 4-207.01(B), 4-209, 4-244.05, and ~~35-142(K)~~ 35-142(L).

R19-1-104. Shipping Container Labeling; Shipping Requirements

- A.** An individual or entity, whether licensed or unlicensed under A.R.S. Title 4 and this Chapter, shall ensure that spirituous liquor shipped or offered for shipping within this state for a commercial purpose is in a container that is clearly and conspicuously labeled with or is accompanied by a shipping document containing the following information:
1. Name of the individual or entity consigning or shipping the spirituous liquor,
 2. Name and address of the individual or entity to whom the spirituous liquor will be delivered, and
 3. Identification of the spirituous liquor.
- B.** An individual who transports spirituous liquor other than beer from a wholesaler to a licensed retailer shall ensure that:
1. The individual possesses a bill or memorandum from the wholesaler to the licensed retailer showing the:
 - a. Name and address of the wholesaler,
 - b. Name and address of the licensed retailer, and
 - c. Quantity and type of the spirituous liquor sold and transported; and
 2. The bill or memorandum referenced under subsection (B)(1) is exhibited on demand by any peace officer.
- C.** An individual or entity that ships or offers for shipping spirituous liquor from a point outside Arizona to a final destination in Arizona shall ensure that:
1. With the exception of wine that is being shipped by a common carrier under A.R.S. § 4-203.04(J) or by a licensed domestic farm winery under A.R.S. § 4-205.04(C)(7) or (9) ~~by a domestic farm winery licensee,~~ or beer that is being shipped by a licensed domestic microbrewery under A.R.S. § 4-205.08(D)(5) ~~by a domestic microbrewery licensee,~~ or distilled spirits that are being shipped by a licensed craft distiller under ARS 4-205.10(C)(5), the spirituous liquor is consigned to a wholesaler authorized to sell or deal in the particular spirituous liquor being shipped; and

2. The spirituous liquor is placed for shipping with:
 - a. A common carrier or transportation company that is in compliance with all Arizona and federal law regarding operation of an interstate transportation business, or
 - b. The wholesaler to whom the spirituous liquor is consigned with the exception of:
 - i. Wine that is being shipped under A.R.S. § 4-203.04(J) by a common carrier or A.R.S. § 4-205.04(C)(7) or (9) by a licensed domestic farm winery,
 - ii. Beer that is being shipped under A.R.S. § 4-205.08(D) by a licensed domestic microbrewery, or
 - iii. Distilled spirits that are being shipped under ARS 4-205.10(C)(5) by a licensed craft distiller.
- D. A common carrier or transportation company hired to transport spirituous liquor from a point outside Arizona to a final destination in Arizona shall ensure that:
 1. The common carrier or transportation company maintains possession of the spirituous liquor from the time the spirituous liquor is placed for shipping until it is delivered; and
 2. With the exception of spirituous liquor that is being shipped under A.R.S. § 4-203.04(J) or A.R.S. § 4-205.04(C)(7) or (9) by a domestic farm winery licensee, the spirituous liquor is delivered to the licensed premises of the wholesaler to whom the spirituous liquor is consigned.
- E. An individual or entity shall not construe this Section in a manner that interferes with the interstate shipment of spirituous liquor, including beer and wine, through this state if the spirituous liquor, as it passes through this state, is under the control of a common carrier or transportation company hired to transport the spirituous liquor.
- F. This Section is authorized by A.R.S. § 4-112(B)(1)(a).

R191105. Standards for a Non-contiguous Area of a Licensed Premises

- A. When an application is made for inclusion of a non-contiguous area in a licensed premises, the Department shall approve inclusion of the non-contiguous area only if the following standards are met:
 1. Unless application is made by a club licensee, the public convenience requires and the best interest of the community will be substantially served by approving inclusion of the non-contiguous area in the licensed premises;
 2. The non-contiguous area does not violate A.R.S. § 4-207;
 3. The non-contiguous area will be a permanent part of the licensed premises;
 4. The walkway or driveway that separates the non-contiguous area from the remainder of the licensed premises is no more than 30 feet wide;

5. The non-contiguous area is completely enclosed by a permanently installed fence that is at least three feet in height;
 6. Construction of the business premises in the non-contiguous area will comply with all applicable building and safety standards before spirituous liquor is sold or served in the non-contiguous area; and
 7. The licensee demonstrates control of the taking of spirituous liquor between the non-contiguous area and the remainder of the licensed premises.
- B.** This Section is authorized by ~~A.R.S. § 4-101(26)~~ A.R.S. § 4-101(31).

ARTICLE 2. LICENSING

R191206. Criteria for Issuing a Restaurant License

- A.** The Department shall not issue a restaurant license to an applicant if the Department finds there is sufficient evidence that the applicant will be unable to operate as a restaurant as defined at ~~A.R.S. § 4-205.02(H)(2)~~ in A.R.S. § 4-205.02(M)(2).
- B.** The following criteria are evidence of an ability to operate a restaurant as defined at ~~A.R.S. § 4-205.02(H)(2)~~ in A.R.S. § 4-205.02(M)(2). The Department shall consider these criteria when determining whether to issue a restaurant license to an applicant:
1. Number of cooks, other food preparation personnel, and wait staff are sufficient to prepare and provide the proposed restaurant services;
 2. Restaurant equipment is of sufficient grade or appropriate for the offered menu;
 3. Proposed menu is of a type and price likely to achieve 40 percent food sales; and
 4. Dinnerware and small-ware, including dining utensils, are compatible with the offered menu.
- C.** The following criteria are evidence of an inability to operate a restaurant as defined at ~~A.R.S. § 4-205.02(H)(2)~~ in A.R.S. § 4-205.02(M)(2). The Department shall consider these criteria when determining whether to issue a restaurant license to an applicant:
1. More than 60 percent of the public seating area consists of barstools, cocktail tables, and similar seating indicating the area is used primarily for consumption of spirituous liquor;
 2. Name, signage, or promotional materials of the proposed business premises contain a term such as bar, tavern, pub, spirits, club, lounge, cabaret, or saloon that denotes sale of spirituous liquor;
 3. Proposed business premises has a jukebox, live entertainment, or dance floor; and
 4. Proposed business premises contain bar games and equipment.
- D.** This Section is authorized by A.R.S. § 4-205.02(E).

R191207. Extension of Premises

- A. A licensee shall ensure that no spirituous liquor is served to a customer seated outside the licensed premises, as defined at ~~A.R.S. § 4-101(26)~~ A.R.S. § 4-101(31), without first making application for an extension of premises.
- B. An application under subsection (A) is required for either a temporary or permanent extension of premises.
- C. This Section is authorized by ~~A.R.S. § 4-101(26)~~ A.R.S. § 4-101(31) and 4-203(B).

R19-1-209. Licensing ~~Time-frames~~ Time Frames

- A. For the purpose of compliance with A.R.S. § 41-1073, the Department establishes ~~time-frames~~ time frames that apply to licenses issued by the Department. The licensing ~~time-frames~~ time frames consist of an administrative completeness review ~~time-frame~~ time frame, a substantive review ~~time-frame~~ time frame, and an overall ~~time-frame~~ time frame as defined in A.R.S. § 41-1072.
- B. The Department shall not forward a liquor license application for review and consideration by local governing authorities until the application is administratively complete. A liquor license application is administratively complete when:
 - 1. Every piece of information required by the form prescribed by the Department is provided;
 - 2. All required materials specified on the form prescribed by the Department are attached to the form;
 - 3. The non-refundable license application fee specified at A.R.S. § 4-209(A) is attached to the form; and
 - 4. If required, a questionnaire and complete set of fingerprints are attached to the form from:
 - a. Every individual who is a controlling person of the business to be licensed,
 - b. Every individual who has an aggregate beneficial interest of at least 10 percent in the business to be licensed,
 - c. Every individual who owns at least 10 percent of the business to be licensed,
 - d. Every individual who holds a beneficial interest of at least 10 percent of the liabilities of the business to be licensed, and
 - e. The agent and managers of the business to be licensed.
- C. Except as provided in subsection (D), the ~~time-frame~~ time frame for the Department to act on a license application is as follows:
 - 1. Administrative completeness review ~~time-frame~~ time frame: 75 days;
 - 2. Substantive review ~~time-frame~~ time frame: 30 days; and
 - 3. Over-all ~~time-frame~~ time frame: 105 days.

- D. The ~~time frame~~ time frame for the Department to act on an application for a special event license, wine festival or fair license, extension or change of licensed premises, or approval of a liquor law training course is as follows:
1. Administrative completeness review ~~time frame~~ time frame: 10 days;
 2. Substantive review ~~time frame~~ time frame: 20 days; and
 3. Over-all ~~time frame~~ time frame: 30 days.
- E. Administrative completeness review ~~time frame~~ time frame.
1. The administrative completeness review ~~time frame~~ time frame begins when the Department receives an application. During the administrative completeness review ~~time frame~~ time frame, the Department shall determine whether the application is:
 - a. Complete,
 - b. Contains a technical error, or
 - c. Contains a non-technical error.
 2. If the Department determines that an application is incomplete or contains a non-technical error, the Department shall return the application to the applicant. If the applicant wishes to be considered further for a license, the applicant shall submit to the Department a new, completed application and non-refundable application fee.
 3. If the Department determines that an application contains a technical error, the Department shall notify the applicant in writing of the technical error.
 4. An applicant that receives a notice regarding a technical error in an application shall correct the technical error within 30 days from the date of the notice or within the time specified by the Department. The administrative completeness review and over-all ~~time frames~~ time frames are suspended from the date of the notice referenced under subsection (E)(3) until the date the technical error is corrected.
 5. If an applicant fails to correct a technical error within the specified time, the Department shall close the file. An applicant whose file is closed may apply again for a license by submitting a new, completed application and non-refundable application fee.
- F. Substantive review ~~time frame~~ time frame.
1. The substantive review ~~time frame~~ time frame begins when an application is administratively complete or at the end of the administrative completeness review ~~time frame~~ time frame listed in subsection (C)(1) or (D)(1). If a hearing is required under A.R.S. § 4-201 regarding the license application, the Department shall ensure that the hearing occurs during the substantive review ~~time frame~~ time frame.
 2. If the Department determines during the substantive review that additional information is needed,

the Department shall send the applicant a comprehensive written request for additional information. An applicant from whom additional information is requested shall supply the additional information within 30 days from the date of the request or within the time specified by the Department. Both the substantive review and over-all ~~time-frames~~ time frames are suspended from the date of the Department's request until the date that the Department receives the additional information.

3. If an applicant fails to submit the requested information within the specified time, the Department shall close the file. An applicant whose file is closed may apply again for a license by submitting a new, completed application and non-refundable application fee.

G. Within the overall ~~time-frame~~ time frame, the Department shall:

1. Deny a license to an applicant if the Department determines that the applicant does not meet all the substantive criteria required by A.R.S. Title 4 and this Chapter, or
2. Grant a license to an applicant if the Department determines that the applicant meets all the substantive criteria required by A.R.S. Title 4 and this Chapter.

H. If the Department denies a license under subsection (G)(1), the Department shall provide a written notice of denial to the applicant that explains:

1. The reason for the denial, with citations to supporting statutes or rules;
2. The applicant's right to appeal the denial; and
3. The time for appealing the denial.

I. This Section is authorized by A.R.S. §§ 41-1073, ~~4-101(9)~~, 4-201(E), and 4- 202(B).

ARTICLE 3. LICENSEE RESPONSIBILITIES

R19-1-304. Storing Spirituous Liquor on Unlicensed Premises

A. Except as provided in subsection (B), a licensee shall not accept delivery of or store spirituous liquor at any premises other than the business premises described on the license issued to the licensee under A.R.S. Title 4 and this Chapter.

B. The Department shall authorize a licensee to accept delivery of or store spirituous liquor at a premises other than the business premises described on the license issued to the licensee under A.R.S. Title 4 and this Chapter if:

1. The licensee submits a written request to the Department that:
 - a. Identifies the unlicensed premises,
 - b. Provides a diagram that shows the geographical location of the unlicensed premises in relation to the business premises, and
 - c. Explains how the licensee will safeguard the spirituous liquor at the unlicensed premises; and

2. The Department determines that the licensee will safeguard the spirituous liquor at the unlicensed premises in a manner that protects the public health, safety, and welfare and that authorizing the licensee to store spirituous liquor at the unlicensed premises is consistent with the best interest of the state.

C. Before asking a wholesaler to make delivery of spirituous liquor at an unlicensed premises, A a licensee granted authorization under subsection (B) shall provide evidence of the authorization to a the wholesaler; and:

1. ~~common~~ Common carrier under A.R.S. § 203.04(J),
2. Domestic farm winery under A.R.S. § 4-205.04(C)(7) or (9),
3. Domestic microbrewery under A.R.S. § 4-205.08(D), or
4. Craft distiller under ARS 4-205.10(C)(5) before asking the wholesaler to make delivery of spirituous liquor at the unlicensed premises.

D. This Section is authorized by A.R.S. § 4-203(B).

R19-1-315. Responsibilities of a Licensee that Operates a Delivery Service

A. A licensed retailer that operates a delivery service under A.R.S. § 4-203(J), ~~or~~ a licensed domestic farm winery that delivers wine under A.R.S. § 4-205.04(C)(9), a common carrier that delivers wine under A.R.S. § 4-203.04(J), or a licensed craft distiller that delivers distilled spirits under A.R.S. § 4-205.10(C)(7) shall ensure that delivery of spirituous liquor:

1. Is made only to an individual who is at least 21 years old,
2. Is made only after an inspection of identification shows that the individual accepting delivery of the spirituous liquor is of legal drinking age,
3. Is made only during the hours of lawful service of spirituous liquor,
4. Is not made to an intoxicated or disorderly individual, and
5. Is not made to the licensed premises of a licensed retailer.

B. A licensed retailer that operates a delivery service under A.R.S. § 4-203(J), ~~or~~ a licensed domestic farm winery that delivers wine under A.R.S. § 4-205.04(C)(9), a common carrier that delivers wine under A.R.S. § 4-203.04(J), or a licensed craft distiller that delivers distilled spirits under A.R.S. § 4-205.10(C)(7) shall refuse to complete a delivery if the licensee or common carrier believes the delivery may constitute a violation of A.R.S. Title 4 or this Chapter.

C. This Section is authorized by A.R.S. §§ 4-112(B)(1)(d), 4-203(J) and (M), 4-203.04(J), and 4-205.04(C)(9), and 4-205.10(C)(7).

R19-1-316. Responsibilities of a Liquor Store or Beer and Wine Store Licensee

- A. Except for a broken package, as defined at A.R.S. § 4-101, used in sampling conducted under A.R.S. § ~~4-206.01(J)~~ 4-206.01(K), 4-243(B)(3) or 4-244.04, a liquor store or beer and wine store licensee shall not have a broken package of spirituous liquor on the licensed premises.
- B. This Section is authorized by A.R.S. § 4-244(19).

R19-1-317. Responsibilities of a Hotel-Motel or Restaurant Licensee

- A. If a hotel-motel or restaurant licensee ceases to provide complete restaurant services before 10:00 p.m., the licensee shall cease to sell spirituous liquor at the same time that the licensee ceases to provide complete restaurant services.
- B. If a hotel-motel or restaurant licensee provides complete restaurant services until at least 10:00 p.m., the licensee may continue to sell spirituous liquor during the hours allowed by law.
- C. If a hotel-motel or restaurant licensee refuses to serve a meal requested before 10:00 p.m. and continues to serve spirituous liquor, the Department shall assume that the hotel-motel or restaurant licensee has ceased to operate as a restaurant and has the primary purpose of selling or dispensing spirituous liquor for consumption.
- D. In the event of an audit to determine whether a hotel-motel or restaurant licensee meets the standard at ~~A.R.S. § 4-205.02(H)~~ A.R.S. § 4-205.02(M), the licensee shall submit records that enable the Department to determine the amount of gross revenue that the licensee derives from the sale of food and from the sale of spirituous liquor. If the Department is unable to determine the amount of gross revenue attributed to the sale of food, the Department shall assume that the licensee does not meet the standard at ~~A.R.S. § 4-205.02(H)~~ A.R.S. § 4-205.02(M).
- E. To ensure that the Department is able to determine the amount of gross revenue derived from the sale of food and from the sale of spirituous liquor, a hotel-motel or restaurant licensee shall maintain the majority of the following documents in the following order for the time specified in R19-1-501:
 - 1. Vendor invoices. Sorted by vendor by year;
 - 2. Inventory records; financial statements; general ledger; sales journals or schedules; cash receipts or disbursement journals; and bank statements. Sorted by month by year;
 - 3. Daily sales report, guest checks, and cash register journal. Segregated by the sale of food and the sale of spirituous liquor and sorted by day by month by year;
 - 4. Bank deposit slips. Sorted by day by month by year and maintained with the daily sales report, guest checks, and cash register journal;
 - 5. Transaction privilege tax returns. Sorted by month by year;
 - 6. Income tax returns. Sorted by year; and

7. Payroll records. Sorted by pay period by year.
- F. If a licensee holds multiple licenses for business premises, one of which is for a hotel-motel or restaurant, the licensee shall ensure that records for purchases and sales for the hotel-motel or restaurant are maintained and accounted for separate from records for purchases and sales for the other license on the same premises.
- G. This Section is authorized by A.R.S. §§ 4-205.01 and 4-205.02.

R19-1-320. Practices Permitted by a Producer or Wholesaler

- A. In addition to practices specifically authorized under A.R.S. Title 4 and 27 CFR, Chapter 1, Subchapter A, the practices outlined in subsections (B) through (Q) allow a distiller, vintner, brewer, rectifier, blender, or other producer or wholesaler to furnish something of value to a licensed retailer or other specified licensee as long as the producer or wholesaler does not furnish something of value to induce the licensed retailer or other specified licensee to purchase spirituous liquor from the producer or wholesaler to the exclusion, in whole or in part, of another producer or wholesaler. A distiller, vintner, brewer, rectifier, blender, or other producer or wholesaler shall not furnish something of value to a licensed retailer or other specified licensee unless specifically authorized under A.R.S. Title 4, 27 CFR, Chapter 1, Subchapter A, or this Chapter. If there is a conflict between the practices authorized in 27 CFR, Chapter 1, Subsection A and this Chapter, this Chapter governs.
- B. A licensed retailer shall not solicit or knowingly accept from a distiller, vintner, brewer, rectifier, blender, or other producer or wholesaler any activity not outlined in subsections (C) through (Q) unless the activity is specifically authorized under A.R.S. Title 4 or this Chapter.
- C. Participating in a special event.
 1. A producer or wholesaler may furnish advertising, sponsorship, services, or other things of value at a special event at which spirituous liquor is sold if:
 - a. A special event license is issued for the special event. A producer or wholesaler shall not pay for advertising, sponsorship, services, or other things of value until the wholesaler or producer confirms that a special event application has been submitted for approval under A.R.S. § 4-203.02;
 - b. The special event license is issued to a charitable, civic, religious, or fraternal organization;
 - c. The special event license is not issued to a political committee or organization;
 - d. The producer or wholesaler ensures that nothing of value given to a licensed retailer or employees of a licensed retailer during or after the special event is left on the licensed premises of a licensed retailer except that the wholesaler may leave items of value with the licensed retailer or at the licensed premises if the retailer is an on-sale retailer and leaving the

- items of value complies with the restrictions at A.R.S. § 4-243(D); and
- e. The producer or wholesaler pays financial sponsorship, if any, to the organization to which the special event license is issued.
 2. A producer or wholesaler may donate spirituous liquor to a special event licensee identified under subsection (C)(1)(b).
 3. A producer or wholesaler may dispense spirituous liquor donated by the producer or wholesaler at a special event.
 4. A producer or wholesaler may provide a sign to a special event licensee identified under subsection (C)(1)(b). If the producer or wholesaler provides a sign to a special event licensee, the sign is not subject to R19-1-313.
 5. A producer or wholesaler may furnish a vehicle for use by a special event licensee identified under subsection (C)(1)(b). The producer or wholesaler shall ensure the vehicle is used to dispense spirituous liquor only during the days of the special event.
- D.** Providing an item of value to a customer of a licensed retailer. A producer or wholesaler or its employee or independent contractor may provide an item of value to a customer of a licensed retailer if:
1. The item is provided directly to the customer of the licensed retailer by the producer or wholesaler or an employee or independent contractor of the producer or wholesaler except that a schedule of sporting events, as defined in subsection (F), may be provided to the customer through the licensed retailer;
 2. The item provided has a value less than \$5 and bears advertising about the producer, wholesaler, or spirituous liquor available from the producer or wholesaler. The producer or wholesaler may provide an unlimited number of items;
 3. The item provided has a value more than \$5 and bears advertising about the producer, wholesaler, or spirituous liquor available from the producer or wholesaler. The producer or wholesaler shall ensure that the total value of all items provided does not exceed \$100 during any 6:00 a.m. to 2:00 a.m. period per licensed premises; and
 4. The producer or wholesaler ensures that no item of value is provided to the licensed retailer or an employee of the licensed retailer or is left on the licensed premises.
- E.** Furnishing advertising. A producer or wholesaler may furnish advertising copy in the form of a digital file or camera- or internet-ready images of nominal value to a licensed retailer.
- F.** Sponsoring a sporting event. If the licensed premises of a licensed retailer has a permanent occupancy of more than 1,000 people and is used primarily for live sporting events, a producer or wholesaler may sponsor and provide advertising to the licensed retailer in conjunction with a live sporting event

or telecast of a sporting event at the licensed premises. If the producer or wholesaler provides a sign as part of the sponsorship of a sporting event, the sign is not subject to the value limitation or information content restrictions in R19-1-313. The producer or wholesaler shall ensure no item of value remains with the licensed retailer or at the licensed premises after the sporting event except that the wholesaler may leave items of value with the licensed retailer or at the licensed premises if the retailer is an on-sale retailer and leaving the items of value complies with the restrictions at A.R.S. § 4-243(D). For the purpose of this subsection, live sporting event means an athletic competition governed by a set of rules or customs to which pre-sold tickets are made available to the public. For nationally recognized sporting events that are seasonal, including but not limited to baseball, football, basketball, soccer, and NASCAR, the conclusion of a live sporting event occurs when the season ends rather than after each individual event of the season. A golf tournament is not a live sporting event unless:

1. The golf tournament is regulated by a golf association; or
2. The golf tournament is held for the benefit of an unlicensed organization and the sponsoring producer or wholesaler ensures that:
 - a. All sponsorship proceeds are provided to the unlicensed organization, and
 - b. Nothing of utilitarian value or other consideration is provided to a licensed retailer.

G. Sponsoring a concert. If the licensed premises of a licensed retailer has a permanent occupancy of more than 1,000 people and is used primarily as a concert or live sporting event venue, a producer or wholesaler may sponsor and provide advertising to the licensed retailer in conjunction with a concert at the licensed premises. For the purpose of this subsection, “concert” is a live event with pre-sold tickets for a musical, vocal, theatrical, or comedic performance at the licensed premises or a live musical, vocal, theatrical, or comedic performance at the licensed premises that is not open to the public. If the producer or wholesaler provides a sign as part of the sponsorship of a concert, the sign is not subject to the value limitation or information content restrictions in R19-1-313. The producer or wholesaler shall ensure that no item of value remains with the licensed retailer or at the licensed premises after the conclusion of the concert event except that the wholesaler may leave items of value with the licensed retailer or at the licensed premises if the retailer is an on-sale retailer and leaving the items of value complies with the restrictions at A.R.S. § 4-243(D).

H. Participating in a tradeshow or convention. A producer or wholesaler may provide for a licensee sampling, advertising, and event sponsorship to a trade association in conjunction with a tradeshow or convention if the trade association consists of five or more retail licensees that have no common ownership. If the producer or wholesaler provides a sign as part of the sponsorship of a tradeshow or convention, the sign is not subject to the value limitation or information content restrictions in R19-1-

313. The producer or wholesaler shall ensure the sign is physically placed at the location where the tradeshow or convention is held. The producer or wholesaler shall remove the sign within one business day after the conclusion of the tradeshow or convention and ensure that no item of value remains with the licensed retailer after the conclusion of the tradeshow or convention event except that the wholesaler may leave items of value with the licensed retailer if the retailer is an on-sale retailer and leaving the items of value complies with the restrictions at A.R.S. § 4-243(D).

- I.** Participating in an educational seminar. A producer or wholesaler may participate in an educational seminar for employees of a licensed retailer if:
 - 1. The educational seminar occurs on the licensed premises of a producer, wholesaler, or retailer;
 - 2. Content of the educational seminar is substantially related to spirituous liquor available from the producer or wholesaler;
 - 3. Lodging and transportation expenses incurred by employees of the licensed retailer or the licensed retailer to attend the educational seminar are not paid or reimbursed by the producer or wholesaler. The producer or wholesaler may provide a meal and snacks of nominal value to participants in the education seminar;
 - 4. The retailer's expenses associated with organizing, producing, or hosting the educational seminar are not paid or reimbursed by the producer or wholesaler; and
 - 5. No item of value remains with the licensed retailer after the conclusion of the educational seminar event except that the wholesaler may leave items of value with the licensed retailer if the retailer is an on-sale retailer and leaving the items of value complies with the restrictions at A.R.S. § 4-243(D).

- J.** Furnishing a printed menu. A producer or wholesaler may furnish a printed menu for use by a retailer if:
 - 1. All printed menus furnished to the licensed retailer during a calendar year have a fair market value within the limit prescribed by A.R.S. § 4-243(D),
 - 2. A similar menu is made available to all retail accounts that use menus,
 - 3. The menu has no utilitarian value to the licensed retailer except as a menu, and
 - 4. The menu conspicuously bears the name of spirituous liquor available from the producer or wholesaler or the name of the producer or wholesaler.

- K.** Distributing coupons or rebates. A producer or wholesaler may distribute coupons or rebates to consumers by any means including providing the coupons or rebates to a licensed retailer if the coupons or rebates:
 - 1. Can be used only for an off-sale purchase by the consumer from a licensed retailer,
 - 2. Do not specify a licensed retailer at which the coupons or rebates are required to be used, and

3. Are available in approximately the same number of qualifying products the licensed retailer has available for customers if the coupons or rebates are ultimately redeemed by the licensed retailer.
- L.** Providing holiday decorations. A producer or wholesaler may lend decorations commonly associated with a specific holiday to a licensed retailer for use on the licensed premises if the decorations:
1. Bear advertising about a brand, producer, or wholesaler that is substantial, conspicuous, and permanently inscribed or securely affixed; and
 2. The decorations have no utilitarian value to the licensed retailer other than as decorations for a specific holiday.
- M.** Providing a sample to a customer of a licensed retailer. A producer or wholesaler may provide a sample of spirituous liquor to a customer of a licensed:
1. On-sale retailer without off-sale privileges if the producer or wholesaler complies with the procedures at A.R.S. § 4-243(B)(2)(b), which limit sampling to 12 ounces of beer or cooler product, six ounces of wine, or two ounces of distilled spirits per person, per brand to be consumed on the licensed premises;
 2. Off-sale retailer if the producer or wholesaler complies with the procedures at A.R.S. § 4-243(B)(3)(c), which limit sampling to three ounces of beer, one and one-half ounces of wine, or one ounce of distilled spirits per person, per day if consumed on the licensed premises. If the sample provided is for ~~off-sale consumption off the licensed premises~~, the producer or wholesaler shall ensure the sample is ~~in an unbroken package~~ limited to 72 ounces of beer and two ounces of distilled spirits per person per day; or
 3. On-sale retailer with off-sale privileges if the producer or wholesaler complies with subsection (M)(1) when providing samples under the on-sale portion of the license and subsection (M)(2) when providing samples under the off-sale portion of the license.
- N.** Conducting market research. A producer or wholesaler may participate in market research regarding spirituous liquor under the following conditions:
1. The spirituous liquor is provided to research participants by personal delivery or through a delivery service provider;
 2. The spirituous liquor provided to research participants is obtained from or shipped through a wholesaler;
 3. All research participants are of legal drinking age;
 4. Any employee of the producer or wholesaler and any employee of a marketing research business conducting the market research that handles the spirituous liquor is at least 19 years old; and
 5. The amount of spirituous liquor provided to each research participant does not exceed 72 ounces of beer, cooler product, or wine or 750 milliliters of distilled spirits.

- O.** Providing a sample to a licensed retailer. A producer or wholesaler may provide a licensed retailer with a sample of a brand of spirituous liquor that the licensed retailer has not purchased for sale within the last 12 months if the sample does not exceed the following:

 - 1. Wine. Three liters;
 - 2. Beer. Three gallons; and
 - 3. Distilled spirits. Three liters.
- P.** Providing a shelf plan or schematic. A producer or wholesaler may provide a recommended shelf plan or schematic for use by a licensed retailer in displaying spirituous liquor or other product in a point-of-sale area.
- Q.** Providing meals, beverages, event tickets, and local ground transportation. Except as provided under subsection (I), a producer or wholesaler may provide a licensed retailer with meals, beverages, event tickets, and local ground transportation if:

 - 1. The producer or wholesaler accompanies the licensed retailer while meals and beverages are consumed and ground transportation is used; and
 - 2. The value of the meals, beverages, event tickets, and local ground transportation is deductible as a business entertainment expense under the Internal Revenue Code.
- R.** A producer or wholesaler that sells spirituous liquor to another producer or wholesaler is exempt from the credit prohibition in A.R.S. § 4-242.
- S.** Section is authorized by A.R.S. §§ 4-242, 4-243 and 4-244(3).

ARTICLE 5. REQUIRED RECORDS AND REPORTS

R19-1-501. General Recordkeeping

- A.** A licensee may maintain any record required under A.R.S. Title 4 or this Chapter in electronic form so long as the licensee is readily able to access and produce a paper copy of the electronic record.
- B.** A licensee shall maintain all invoices, records, bills, and other papers and documents relating to the purchase, sale, or delivery of spirituous alcohol for two years.
- C.** A hotel-motel or restaurant licensee shall maintain all invoices, records, bills, and other papers and documents relating to the purchase, sale, or delivery of food in the manner specified in R19-1-317 for two years.
- D.** A licensee shall make the invoices, records, bills, and other papers and documents maintained under subsections (B) and (C) available, upon request, to the Department for examination or audit. During an examination or audit and upon request, the licensee shall provide valid identification to the Department.

E. This Section is authorized by A.R.S. §§ 4-210(A)(7), and 4-119, ~~and 4-241(K).~~

R19-1-504. Record of Delivery of Spirituous Liquor

- A. A retail licensee having off-sale privileges, or a licensed domestic farm winery under A.R.S. § 4-205.04(C)(9), common carrier under A.R.S. § 4-203.04(J), or a licensed craft distiller under A.R.S. § 4-205.10(C)(7) that delivers spirituous liquor, as authorized by A.R.S. § 4-203(J) ~~or 4-205.04(C)(9)~~ and R19-1-315, shall complete a record of each delivery at the time of delivery. The licensee or common carrier shall ensure that the record provides the following information:
1. Name of licensee making the delivery,
 2. Address of licensee making the delivery,
 3. License number,
 4. Date and time of delivery,
 5. Address at which delivery is made,
 6. Type and brand of spirituous liquor delivered, and
 7. Printed name and signature of the individual making the delivery.
- B. In addition to the information required under subsection (A), a retail licensee having off-sale privileges that delivers spirituous liquor, as authorized by A.R.S. § 4-203(J), shall obtain the following information about the individual accepting delivery of the spirituous liquor:
1. Name,
 2. Date of birth,
 3. Type of and number on the identification used to verify the individual's date of birth, and
 4. The signature of the individual accepting delivery. The retail licensee making delivery may use an electronic signature system to comply with this subsection.
- C. A licensed domestic farm winery under A.R.S. § 4-205.04(C)(9), common carrier under A.R.S. § 4-203.04(J), or licensed craft distiller under A.R.S. § 4-205.10(C)(7) that delivers spirituous liquor, ~~as authorized by A.R.S. § 4-205.04(C)(9),~~ may rely on an electronic signature system operated by the United Parcel Service or Federal Express to comply with the requirements in subsection (A).
- D. A licensed retailer that delivers spirituous liquor under A.R.S. § 4-203.04(H) or a direct shipment licensee that ships wine under A.R.S. § 4-203.04(J) or A.R.S. § 4-205.04(C)(9), or licensed craft distiller that ships distilled spirits under A.R.S. § 4-205.10(C)(7) may rely on an electronic signature system operated by the United Parcel Service or Federal Express.
- E. This Section is authorized by A.R.S. §§ 4-112(B)(1)(d), 4-203(J) and (M), 4-203.04(H) and (J), 4-205.04(C)(9), and ~~(D)~~ 4-205.10(C)(7).