

ALCOHOLIC BEVERAGE LICENSE FEES

DESCRIPTION

Alcoholic beverage license fees are charged to sellers and producers of alcoholic beverages in Arizona as a means for the state to regulate the sale of such beverages. Fees are charged for original licenses, license renewals, and transfers of licenses. There is also an additional issuance fee for each original license issued. The number of original licenses granted per county is restricted according to county population. Fee amounts vary by type of fee and type of seller or producer (e.g., restaurant, hotel, microbrewery, etc.). The revenues from the license fees are distributed among several recipients.

DISTRIBUTION

Club Licenses and Applications. The revenues derived from club licensing and applications are dedicated to the Department of Economic Security's Department of Mental Retardation, Capital Investment Fund [A.R.S. § 4-116].

Special Event Licenses. Collections are dedicated to the Department of Health Services for use in the evaluation and treatment of alcoholics [A.R.S. § 4-203.02(A)].

All Other Licenses. Except for the above club and special event license fees, two-thirds of license fees are deposited in the state General Fund. One-third of the license fees collected in counties with a population of 500,000 or less are to be paid monthly by the director of Liquor Licenses and Control to the treasurer of those counties. For each county with a population of over 500,000, the director is to pay the county treasurer from the remaining one-third of license fees the amount of \$3,000 for each new license issued for premises in unincorporated areas of that county, up to a maximum of \$150,000. The remainder of the one-third of license fees collected in counties with a population of over 500,000 is deposited in the state General Fund [A.R.S. § 4-115].

WHO PAYS THE TAX

The tax is paid by manufacturers, wholesalers, out-of-state producers, exporters, importers or rectifiers, retailers of alcoholic beverages, businesses authorized by local governments to sell liquor, and domestic farm wineries or microbreweries. All sellers of alcoholic beverages, including Indian tribal members on reservations, are required to pay the license fees [A.R.S. § 4-209].

TAX BASE AND RATE

License and Permits. A flat fee is charged for an original license, annual license renewals, transfers of licenses, assignments of agents, and interim permits. Every license expires annually. In addition, for each additional original license issued there will be levied a separate issuance fee equal to the license's fair market value which will be deposited in the state General Fund [A.R.S. § 4-209, A.R.S. § 4-203.01, .02, and .03, and A.R.S. § 42-206.01].

Surcharges. Certain licenses are assessed various surcharges as part of the annual license renewal fee. The revenues from these surcharges are dedicated to costs associated with audit and support staff activities, and costs associated with an enforcement program to investigate licensees who have been the subject of multiple complaints to the department [A.R.S. § 4-209(J&K)].

Maximum Additional Licenses Per County. The total number of bar, beer and wine bar or liquor store licenses are limited in a single county:

Through FY 2005, the Department of Liquor Licenses and Control may only issue bar, beer and wine bar and liquor store licenses in the following amounts:

- 1 license, of each type, for each additional 4,000 person increase over the population in that county as of July 1, 1992 where the counties population is less than 500,000.
- 1 license, of each type, for each additional 5,000 person increase over the population in that county as of July 1, 1992 where the counties population is more than 500,000 [A.R.S. § 4-206.01]

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Upon the effective date of August 12, 2005 and each fiscal year thereafter through FY 2009, the Department of Liquor Licenses and Control shall issue bar, beer and wine bar and liquor store licenses in the following amounts:

- 1 license, of each type, in counties with a population of less than 100,000 persons.
- 3 licenses, of each type, in counties with a population of 100,000 or more persons but less than 500,000 persons.
- 5 licenses, of each type, in counties with a population of 500,000 or more persons but less than 1,000,000 persons.
- 10 licenses, of each type in counties with a population of 1,000,000 or more persons.

Beginning July 1, 2010, the Department of Liquor Licenses and Control shall issue 1 bar, 1 beer and wine bar and 1 liquor store license in each county for each 10,000 person increase over the population in that county as of July 1, 2010.

Exemptions:

- Drug stores selling spirituous liquors only upon prescription.
- Any confectionery candy with less than 5% by weight of alcohol.
- Manufacturers, wholesalers and retailers of ethyl alcohol used for scientific, chemical, mechanical, industrial, medicinal or other nonbeverage purposes.
- Individuals and establishments authorized by Congress to procure spirituous liquor or ethyl alcohol tax-free.
- Manufacturers of denatured alcohol produced under provisions established by acts of Congress [A.R.S. § 4-226].

Table 1

COLLECTIONS AND DISTRIBUTION

Fiscal Year	Total	General Fund	Department of Economic Security	Department of Health Services	Counties	Audit Surcharge	Enforcement Surcharge
FY 2005	\$5,581,198	\$4,206,281	\$48,850	\$47,775	\$458,487	\$151,650	\$668,155
FY 2004	\$5,473,828	\$4,219,995	\$49,100	\$44,500	\$369,358	\$147,180	\$643,695
FY 2003	\$5,018,445	\$3,826,968	\$53,800	\$42,350	\$327,837	\$143,480	\$624,010
FY 2002	\$4,746,146	\$3,776,390	\$54,850	\$40,100	\$333,901	\$97,380	\$443,525
FY 2001	\$4,933,818	\$3,876,428	\$44,175	\$47,950	\$346,375	\$93,840	\$525,050
FY 2000	\$4,278,445	\$3,323,418	\$50,975	\$41,050	\$347,272	\$93,080	\$422,650
FY 1999	\$4,293,893	\$3,365,016	\$53,075	\$39,550	\$349,182	\$83,520	\$403,550
FY 1998	\$4,453,507	\$3,698,779	\$53,050	\$38,500	\$358,598	\$88,880	\$215,700
FY 1997	\$4,398,612	\$3,634,188	\$59,200	\$40,150	\$369,524	\$86,600	\$208,950
FY 1996	\$3,222,863	\$3,222,863	\$58,675	\$38,425	\$311,742	\$82,920	\$198,650
FY 1995	\$3,639,600	\$2,404,500	\$57,100	\$34,400	\$337,700		
FY 1994	\$3,426,400	\$2,577,500	\$54,900	\$36,100	\$343,100		
FY 1993	\$3,092,600	\$2,034,000	\$51,400	\$33,400	\$762,700		
FY 1992	\$3,108,308	\$2,166,604	\$70,130	\$30,575	\$840,999		
FY 1991	\$3,304,200	\$2,385,400	\$39,000	\$29,300	\$850,500		
FY 1990	\$3,249,311						
FY 1989	\$3,340,887						
FY 1988	\$3,109,773						
FY 1987	\$3,391,100						
FY 1986	\$3,114,100						

Note: Distributions are not available for FY 1985 – FY 1990.

Note: From FY 1993 – FY 1995 some license fees were distributed to the “Automated File and Retrieval Fund” and “Surcharge on Renewals.” These distributions no longer exist.

SOURCE: Department of Liquor Licenses and Control

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Application Fees:

- Original license B \$100
- Transfer of license B \$100 [A.R.S. § 4-209(A)]

Issuance fees for original licenses:

1.	In-state producers of spirituous liquors	\$1,500
2.	Out-of-state producer's, exporter's, importer's, or rectifier's license, except an out-of-state winery selling 50 or fewer cases of wine in a calendar year	200
3.	Domestic microbrewery license	300
4.	Wholesalers of spirituous liquors	1,500
5.	Local government licenses	100
6.	On-sale retailers on all spirituous liquors and bar license	1,500
7.	On-sale retailers beer and wine bar license	1,500
8.	Railroads, airlines or boats, conveyance licenses	1,500
9.	Off-sale retailers on all spirituous liquors, liquor store license	1,500
10.	Off-sale retailers beer and wine store license	1,500
11.	Hotels and motels	1,500
12.	Restaurants	1,500
13.	Domestic farm winery	100
14.	Clubs	1,000
15.	Out-of-state winery selling 50 or fewer cases of wine in a calendar year	25

[A.R.S. § 4-209(B)]

Annual License Fees:

1.	In-state producers of spirituous liquors	\$50
2.	Out-of-state producer's, exporter's, importer's, or rectifier's license, except an out-of-state winery selling 50 or fewer cases of wine in a calendar year	50
3.	Domestic microbrewery license	300
4.	Wholesalers of spirituous liquors	250
5.	Local government licenses	100
6.	On-sale retailers on all spirituous liquors and bar license	150
7.	On-sale retailers beer and wine bar license	75
8.	Railroads, airlines or boats, conveyance licenses	225
9.	Off-sale retailers on all spirituous liquors, liquor store license	50
10.	Off-sale retailers beer and wine store license	50
11.	Hotels and motels	500
12.	Restaurants	500
13.	Domestic farm winery	100
14.	Clubs	150
15.	Out-of-state winery selling 50 or fewer cases of wine in a calendar year	25

Note: The Department of Liquor Licenses and Control may issue such licenses with staggered renewal dates. A license issued less than 6 months before the scheduled renewal date shall be charged only one-half of the annual license fee [A.R.S. § 4-209(C)].

Note: Establishments operating on a seasonal basis not exceeding 6 months in any year are subject to license fees equal to half the annual rate [A.R.S. § 4-209(E)].

[A.R.S. § 4-209(D)]

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Transfer Fees for Spirituous Liquor Licenses:

(1) From Person to Person	\$300
(2) From Location to Location	100
[A.R.S. § 4-209(F-G)]	

Transfer of Licenses. Bar, beer and wine bar and liquor store licenses may temporarily be transferred from counties with a population of 500,000 or more persons to counties with a population of 500,000 or less persons between July 1, 2006 and December 31, 2007.

Assignment Fees. A \$100 fee is charged for a change of agent. For a holder of multiple licenses, the fee is \$100 for the first license and all remaining licenses transferred to the same agent shall be \$50 each, with a maximum fee of \$1,000 [A.R.S. § 4-209(H)].

NOTE: License transfers are not permitted for restaurants, hotels, motels, clubs or domestic farm wineries or microbreweries, except that clubs may transfer a license from location to location.

Interim Permit Fees. For original license pending or license transfer pending, the fee is \$100 [A.R.S. § 4-203.01].

Other Licenses. In addition, special event licenses are issued on a daily basis at a fee of \$25 per day. The domestic wine festival license fee is \$15 per event [A.R.S. § 4-203.02 and § 4-203.03].

PAYMENT SCHEDULE

Original license fees, interim permit fees, and transfer fees are due upon application. Payments for annual license renewal are due in advance. A system of staggered renewal dates may be implemented by the Department. Licenses that are not renewed on the due date are subject to a penalty equal of \$150 [A.R.S. § 4-209(A)].

The Department of Liquor Licenses and Control collects the tax [A.R.S. § 4-112].

IMPACT OF TAX LAW AND REVENUE CHANGES

The following section is a summary by year of tax law changes that have been enacted by the Legislature since 1999.

There were no changes enacted to this tax in the period from 1999 to 2001 and 2003 to 2004.

2005 TAX LAWS

Laws 2005, Chapter 284 requires the Department of Liquor Licenses and Control to issue additional bar, beer and wine bar and liquor store licenses at fair market value each year beginning August 12, 2005 and continuing through FY 2010 according to a formula based on county size. If more applicants exist than the number of new licenses to be awarded in a given year, Chapter 284 authorizes the department to use a random selection method to determine the priority of applicants and allows it to retain additional license fee revenues to cover related costs. The department estimates that it will issue an additional 40 licenses of each type (bar, beer and wine bar, and liquor store) annually through FY 2010 and will increase its annual licensing revenue by approximately \$6,300,000. Of this amount, in FY 2006 and FY 2007, the bill appropriates \$1,250,000 to the department to improve its data processing systems, \$905,000 would be allocated to counties under the existing license fee revenue sharing formula in A.R.S § 4-115 and the remaining \$4,145,000 (less any costs retained by the department in connection with a possible random selection method described above) would be deposited into the State General Fund. (*Please see Tax Base and Rate section for issuance guidelines and additional information.*) (Effective August 12, 2005)

2002 TAX LAWS

Laws 2002, Chapter 155 allows a consumer to arrange for direct shipment of a limited amount of wine by a common carrier. This would allow residents of Arizona to ship wine directly home from out-of-state wineries,

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without having to go through the requirements for out-of-state spirituous liquor shipping. There will be an unknown loss of revenue from this legislation. (Effective August 22, 2002)

Laws 2002, Chapter 196 extends the special event license for charitable auction to the sale of all spirituous liquor rather than just vintage wine. It also eliminates the \$25 daily fee for off-sale licenses (packaged alcoholic beverages for off-site consumption), but institutes the fee for on-sale licenses (alcoholic beverages sold for either off-site or on-site consumption). The fiscal impact of this legislation is unknown, but should be minimal. (Effective August 22, 2002)

Laws 2002, Chapter 294 increases the surcharge imposed on liquor licenses from \$20 to \$30 for the audit surcharge, and from \$25 to \$35 for the enforcement surcharge. It also repeals obsolete language, strengthens the Department of Liquor Licenses and Control's enforcement of unlicensed business establishments, and makes some alterations in the State Liquor Board. It will have an undetermined positive impact on the audit and enforcement funds. (Effective May 22, 2002)

A listing of tax law changes prior to the 1999 legislative session is available on the JLBC Web site located at www.azleg.state.az.us/jlbc/05taxbook/05taxbk.pdf.