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September 8, 2003

ATTN: TTB Notice No.4  
Chief, Regulations and Procedures Division  
Alcohol, Tobacco Tax and Trade Bureau  
P.O. Box 50221  
Washington, DC 20091-0221

Ladies and Gentlemen:

I am writing to you in support of the proposed rule (issued in March, 2003) by the Tax and Trade Bureau (TTB) outlining the content requirements for the classification of flavored malt beverages (FMB) as beer. The TTB proposal states that for a FMB to be classified as beer, its alcohol content from distilled alcohol is cannot be in excess of 0.5%.

The TTB 's proposed rule is consistent with historical treatment of beer and other malt beverages. Beer has been taxed and regulated differently than other alcohol beverages throughout our nation's history. Beer's regulatory treatment is defined by its production process and the Internal Revenue Code when Congress first imposed the beer excise tax.

Importantly, regulatory policy remains consistent when, even though states possess regulatory power over alcohol, most follow federal regulatory guidelines. The rule proposal will keep order in the marketplace and remove confusion and disruption in state licensing, taxation and distribution policies.

Equating beer and beverages that derive a majority of their alcohol content from distilled spirits will weaken the distinction between the two. These distinctions impact state and federal policies regarding the regulation and taxation of beer and other alcohol beverages.

Therefore, it will only be a matter of time before other alcohol products try to categorize themselves as beer products.

Beer is not a product made from the distillation process. It is not a distilled spirit or a fortified wine. It is made through a brewing process. The 0.5% standard will ensure that the integrity of beer will remain.

To reiterate, B.J. Sager, Inc. encourages the TTB to give final approval to the proposed 0.5% standard on FMBs.

Respectfully,

Joseph W. Hollis  
President

bc: NBWA