

0040588
SOUTHERN BEVERAGE CO., INC.
Hattiesburg, Mississippi 39402

Theo P. Costas, Jr.
PRESIDENT

August 7, 2003

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

Dear Sir or Madam:

Southern Beverage Co. of Hattiesburg supports the proposed rule issued in March 2003 by the Tax and Trade Bureau (TTB) that outlines the alcohol content requirements in order for flavored malt beverages (FMB) to be classified as beer. Specifically, the TTB proposes that for an FMB to be classified as beer, its alcohol content from distilled alcohol cannot exceed .05%. Beer is a unique product that has been regulated and taxed differently than other alcoholic beverages throughout our nation's history. The TTB's proposed rule is consistent with the historical interpretation of what constitutes beer and other malt beverages. The distinct regulatory treatment of beer is based on its age-old production process, and its definition in the Internal Revenue Code dates back to the 1800's when Congress first imposed the beer excise tax. Adoption of the TTB's "0.5 by volume standard" would ensure the integrity of beer and the brewing process. Consistent regulatory policy is important because while states enjoy regulatory power over alcohol, most follow federal regulatory guidelines. This proposed rule would help maintain an orderly marketplace and avoid costly and confusing disruptions in state licensing, taxation, and distribution policies, any of which would deal a severe blow to beer wholesalers. Moreover, equating beer and beverages that derive a majority of their alcohol content from distilled spirits could weaken the important distinctions between beer and products with higher alcohol content. These distinctions impact state and federal policies regarding the regulation and taxation of beer and other alcohol beverages.

If traditional distinctions disappear, it will only be a matter of time before other producers of alcohol beverages attempt to categorize themselves as beer products. Beer is not distilled spirits. Beer is not fortified wine. Beer is not a product that has been made through the distillation process. Beer is made through the brewing process. The 0.5% standard will ensure the integrity of the beer remains. Once again, Southern Beverage Co. of Hattiesburg encourages the TTB to give the final approval to the proposed 0.5% standard on FMBs.
Sincerely,

David A. Jefferies

Sales Director