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August 11, 2003

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

Dear Sir:

Tn-Eagle Sales supports the Tax and Trade Bureau's (TTB) proposed rule that outlines the alcohol content requirements in order for flavored malt beverages (FMB) to be classified as beer. The TTB proposed rule issued in March of this year proposes that for an FMB to be classified as beer, its alcohol content from distilled alcohol cannot exceed 0.5%.

Throughout our nation's history, beer has been a unique product that has been regulated and taxed differently than other alcoholic beverages. The TTB 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. Its definition in the Internal Revenue Code dates back to the 1800s when Congress first imposed the excise tax on beer. Adoption of the TTB "0.5 by volume standard" would ensure the integrity of beer and the brewing process.

Consistent regulatory policy is important because while states have regulatory power over alcohol, most of them 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.

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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 alcoholic beverages.

If traditional distinctions disappear, it will only be a matter of time before other producers of alcoholic beverages attempt to categorize themselves as beer products.

Beer is not a distilled spirit. Beer is not a 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 that the integrity of beer remains.

Tn-Eagle Sales encourages the TTB to give final approval to the proposed 0.5% standard on FMBs.

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President