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August 12, 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. 20091-022 1

Dear Sir or Madam:

City Beverage Company supports the proposed rule issued in March 2003 by the Tax and Trade Bureau that outlines the alcohol content requirements in order for flavored malt beverages to be classified as beer, (alcohol from distilled alcohol cannot exceed 0.5%).

The TTB proposed rule is consistent with what constitutes beer and other malt beverages through its brewing process and the way it has been taxed since the 1800's when Congress imposed the beer excise tax.

While states enjoy regulatory power over alcohol, most follow federal regulatory guidelines. The proposed rule would provide a guideline to follow and would avoid costly and confusing disruption in state licensing, taxation and distribution policies, any of which would be a severe blow to beer wholesalers.

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 both state and federal policies as to the taxation and regulation of beer and other alcohol products.

Beer is not distilled spirits. Beer is not fortified wine. Beer is not a product made through the distillation process. Beer is made through the brewing process. The 0.5% standard will insure that the integrity of beer remains.

Again, City Beverage Company encourages the TTB to give final approval to the proposed 0.5% standard for FMBs.

Sincerely,

Philip A. Hoag
President

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