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Loveland Distributin Company, Inc.  
L. Mark Stepanian  
President

September 18, 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 or Madam:

I am writing today in support of the proposed rule issued in March 2003 by the Tax and Trade Bureau (TTB) outlining the alcohol content requirement in order for flavored malt beverages (FMB) to be classified as beer. The TTB is proposing 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 alcohol beverages. The TTB proposed rule is consistent with the interpretation of what constitutes beer and other malt beverages. Since the early 1800s when Congress first imposed the beer excise tax and due to its definition in the Internal Revenue Code, there has been a distinct regulatory treatment of beer based on its age-old production process. To ensure the integrity of the beer and the brewing process, it is imperative that we have adoption of the TTB "0.5 by volume standard".

It is important that we maintain consistent regulatory policy because while states currently enjoy regulatory power over alcohol, most follow federal regulatory guidelines. Our industry will continue an orderly marketplace and avoid a severe blow to beer wholesalers through costly and confusing disruptions in state licensing, taxation and distribution policies through passage of this proposed rule.

Furthermore, if we equate beer and beverages that derive a majority of their alcohol content from distilled spirits we could weaken the important distinctions between beer and products with higher alcohol content. These distinctions are key to state and federal policies regarding the regulation and taxation of beer and other alcohol beverages. If these traditional distinctions disappear, it is only going to be a matter of time before other producers of alcohol beverages use this to categorize themselves as beer products.

Beer is made through the brewing process and it is neither a distilled spirit nor a purified wine and we want to ensure that the integrity of beer remains through this 0.5% standard.

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Accordingly, Loveland Distributing Company, Inc. encourages the TTB to give final approval to the proposed 0.5% standard on FMBs.

Sincerely,

L. Mark Stepanian  
President

LMS/mmp