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Hometown Distributing Co., Inc. 4841 S. California Avenue, Chicago, IL 60632 773/650-9200

September 3, 2003

Attn: TTB Notice No. 4  
Chief, Regulations and Procedures Division  
Alcohol and Tobacco Tax and Trade Bureau  
PO Box50221  
Washington, DC 20091-0221

Dear Sir or Madam:

Hometown Distributing is a beer wholesale operation now celebrating 20 years of sales and service in Chicago. We are writing to you because we support the proposed rule issued in March 2003 by the Tax and Trade Bureau (TTB) that outlines the alcohol content requirement in order for flavored malt beverages (FMB) to be classified as beer. Currently, the TTB proposes the alcohol content from distilled alcohol cannot exceed 0.5% for an FMB to be classified as beer.

First let me clarify that beer is a distinctive product that has been heavily regulated and taxed differently than other alcohol beverages over the years. The TTB proposed regulation is constant with the past understanding of what constitutes beer and other malt beverages. Beer has an age-old production process, and is defined in the Internal Revenue Code as early as the 1800s when Congress first imposed the beer excise tax. Approval 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 follow federal regulatory guidelines. This proposed rule would help maintain an orderly marketplace and avoid problems in taxation, state licensing and distribution policies, any of which could be harmful to beer wholesalers.

The distinctions between beer and beverages that derive a majority of their alcohol content from distilled spirits should remain separate. Equating beer and beverages that derive their alcohol content from distilled spirits could weaken the important distinctions between the two. These distinctions impact state and federal policies regarding the regulation and taxation of beer and other alcohol beverages.

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We must maintain distinctions between beer, distilled spirits and 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.

We at Hometown Distributing encourage the TTb to give the final approval to the proposed 0.5% standard on FMBs.

Sincerely,

Jim Taylor  
Partner

